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Local Resource Management Project

External Evaluation: February 9 - March 13, 1987

FINAL REPORT

March 13, 1987

By

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LOCAL RESOURCE MANAGEMENT PROJECT

BASIC PROJECT IDENTIFICATION DATA

1. Country: Philippines
2. Project Title: Local Resource Management
3. Project Number: 492-0358
4. Project Dates:
 - a. First Project Agreement: August 31, 1982
 - b. Final Obligation: FY-85 (Actual)
 - c. Project Assistance Completion Date (PACD): August 31, 1989
5. Project Funding:
 - a. A.I.D. Bilateral Funding: \$13.90 million
 - b. Other Major Donors: None
 - c. Host Country Counterpart Funds: \$13.31 million

TOTAL: \$27.21 million
6. Mode of Implementation: Host Country Contracts: Philippine Business for Social Progress, International Institute for Rural Reconstruction, International Ilaw Center, U.P. Los Banos Development Foundation Inc., U.P. Public Administration Foundation, Development Academy of the Philippines, Sycip, Gorres, Velayo & Co.
7. Project Design: National Economic and Development Authority, Ministry of Finance, Provincial Governments of Albay and Antique, Philippine Business for Social Progress, International Institute for Rural Reconstruction, U.P. Local Government Center, Development Academy of the Philippines, Asian Institute of Management
8. Responsible Mission Officials: (For the full life of the project)
 - a. Mission Director(s): Anthony M. Schwarzwald (Aug. 1982 - Apr. 1984)
Frederick W. Schieck (May 1984 - Present)
 - b. Project Officer(s): George M. Flores (Aug. 1982 - Dec. 1984)
James W. Dawson (Jan. - Dec. 1985)
Randall C. Cummings (Jan. - May 1986)
Charles R. Rheingans (Jun. 1986 - Present)

9. Previous Evaluation(s): February 1985 (In-house)

10. Cost of Present Evaluation:

	<u>Person Days</u>	<u>Dollar Costs</u>
a. Direct Hire:		
(1) AID/W TDY:		
(2) USAID staff:		
b. Contract:	150	55,000
c. Other:		

LOCAL RESOURCE MANAGEMENT PROJECT

External Evaluation: February 9 - March 13, 1987

EXECUTIVE SUMMARY

A. Name of Mission: USAID Mission to the Philippines

B. Purpose of Activity or Activities Evaluated:

The Local Resource Management (LRM) Project was conceived by USAID and GOP as the first part of a ten-year program designed to help local governments become more responsive to the needs of their more disadvantaged constituents. The program entails a long-term institutional development effort aimed at supporting the self-help efforts of specific poverty groups. The project is also to identify and test replicable, participatory approaches to local development. LRM is thus characterized by three innovations: a) a poverty focus; b) beneficiary participation; and c) the learning process.

The project has three major components: Provincial Strategy and Local Project Development (Track I), Local Financial Administration (Track II), and Beneficiary Organization (Track III). Under LRM, provincial governments are to move beyond their current top-down "blueprint" approach to a more open, adaptive mode of planning and local project implementation. The program is to promote greater self-reliance among provincial governments by helping them improve their ability to mobilize local provincial and human resources in support of locally identified programs. Provincial governments are expected to assume the catalytic role in local development, through the participation of the private sector, municipal governments and, most importantly, beneficiaries.

C. Purpose of the evaluation and methodology used:

The primary purpose of the evaluation is to provide guidance for project redesign based on 1) lessons accumulated during four years of project implementation, and 2) the new priorities of the Philippine Government and USAID. The secondary purpose of the evaluation is to assess the readiness of the LRM Project to expand to new municipalities and provinces.

The evaluation did not require a major primary data collection effort. However, information had to be validated by information collected through interviews and field visits.

D. Findings and Conclusions:

1. The GOP policy environment and recent USAID pronouncements of policy by the value they accord to rural development, poverty alleviation and decentralization, are supportive of the objectives of LRM. The 1987 USAID CDSS, however, indicates a shift from the previous Development Assistance objective of targetted assistance to the "poorest of the poor", to achieving greater impact on widespread poverty in the rural areas. This shift in policy objectives suggests a change of project emphasis from testing approaches to applying those methodologies that have worked to achieve greater impact.

2. Organizationally, the LRM project is too complex. Multiple objectives, a large number of organizational participants and excessive reporting requirements, combined with traditional bureaucratic constraints have impeded innovation, learning and impact. The LRM track distinction provided a means to focus on separate but complementary activities but has become dysfunctional

by serving as a barrier to effective linkage of these activities. Therefore, there is need to simplify organizational and management responsibilities and procedures to serve the primary goal of direct and measurable impact on rural beneficiaries.

3. Decentralization is a stated goal of the LRM project. Actual decentralization of implementing and funding authority in LRM, however, has been limited, and both the NEDA Project Management Office (PMO) and USAID retain an excessive degree of control. Sufficient attention has not been given to viable management arrangements to facilitate implementation at the field level. Management arrangements necessary to compensate for NEDA's lack of implementation responsibility have not been designed.

4. The performance disbursement system developed for LRM as implemented through the Municipal Development Fund (MDF) is a significant step in the direction of matching incentives to project objectives. The mechanism links USAID disbursements to a package of provincial strategy development and subproject implementation that is responsive to the needs of the poor. This performance payment scheme has contributed to enhancing strategic planning capability in the participating provinces.

5. The LRM project has made a slow but still significant progress towards its institutional objectives despite administrative constraints. This progress is most notable in more responsive LRM planning and in techniques of beneficiary organization at the community level. There is little evidence, however, that LRM concepts have been institutionalized beyond the boundaries of the project. Many local executives have limited knowledge of LRM concepts.

6. The Provincial Development Staff (PDS) has demonstrated a capacity to formulate a multi-year provincial strategy and, based on that strategy, to prepare an annual program plan (APP). The provincial strategy and the APP are not integrated into a broader provincial planning process due to lack of institutionalization.

7. The Community Project Fund (CPF) has proven to be a flexible financial arrangement to implement income generating and other beneficiary-initiated projects. LRM implementation would be simplified if income-generating activities of both the provinces and private voluntary organizations (PVO's) could be funded through a CPF-type mechanism.

8. LRM is developing reasonably strong linkages between the beneficiaries and the municipal governments. In view of the proximity of the beneficiaries to this government unit and the nature of income-generating projects under LRM, continued progress in this area should be encouraged.

9. Revenues from local tax sources outside of the real property tax constitute a very small proportion of total local government income. Even the full installation of systems and procedures designed to improve collection from these tax sources would not significantly improve local income. By contrast, the full potential of the real property tax remains largely untapped. Improved RPTA systems (tax mapping and related operations) offer the best opportunity for increased local revenue generation.

E. Recommendations:

1. In response to the shift in Government of the Philippines and USAID policy objectives, LRM must now emphasize more its potential as a resource for

rural development and less as a social learning laboratory. There should be a reduction of emphasis on a limited number of poverty groups in favor of a wider response to poverty with strategies tailored to identified poverty group needs. The concept of learning must be more closely linked to the users of that learning.

2. The LRM project should be redesigned to simplify its administrative arrangements. Consistent with the focus on the province, all specially mandated LRM review committees and technical working groups, except the Executive Committee and the Provincial and Regional Coordinating Committees, should be abolished. Management responsibility for all local project activities should be placed at the provincial level to coordinate activities formerly divided into tracks.

3. LRM management should be restructured to assign to NEDA Project Management Office (PMO) a primary role as facilitator and advocate for the application of LRM approaches in other Philippine development programs, to the NEDA regional offices a primary role in technical direction and support, and to the provincial government, a primary role in implementation.

4. The performance payment scheme should be retained with provisions to incorporate measures not only of subproject implementation (outputs) but also subproject outcomes (impact).

5. LRM project redesign should build on mechanisms to improve application of the lessons learned and documented to date. A transition from a learning project to a "catalytic" project is now appropriate. Abandonment of institutional objectives in the interest of funding small subprojects, however, would be counterproductive.

6. To enhance the integration of the LRM provincial strategy formulation and the APP to the overall provincial planning process, consideration should be given to using performance disbursements to match regular provincial funding for development projects planned in accordance with provincial LRM strategy. New policies and procedures should permit participating provinces to fund LRM subprojects annually. Each province should be authorized to implement its approved APP using its own funds, with the understanding that it will be reimbursed when LRM funding becomes available.

7. Use Community Project Fund (CPF) for income-generating beneficiary-initiated projects until an alternate funding mechanism is put in place for use of the provinces even after LRM project termination. A sustainable funding mechanism for CPF that does not require the use of a central PVO as a channel is needed. Procedures to accommodate the administrative and legal requirements of a fund to support livelihood projects outside formal provincial requirements are required.

8. Provinces should incorporate beneficiary participation approaches tested by the various PVO's to enhance the linkage between beneficiary groups and municipal governments. Financial incentives to the provinces to give priority to beneficiary-identified subprojects recommended by the municipalities should be adopted.

9. Funding should be made available under the local financial administration component to implement tax mapping and related operations for RPTA. Management of this component should be fully assigned to the Department of Finance (DOF).

LOCAL RESOURCE MANAGEMENT PROJECT

External Evaluation

February 9 - March 13, 1987

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LOCAL RESOURCE MANAGEMENT PROJECT
External Evaluation: 9 February - 13 March 1987

INTRODUCTION

The Local Resource Management (LRM) Project is the first part of a ten-year program designed to help local governments become more responsive to the needs of their more disadvantaged constituents. It emphasizes systems development and institutional learning within existing local government structures.

In the original design, the "LRM approach" referred to the three main innovative features of the program, namely:

- 1) a targetted planning approach which advocates a focus on specific poverty groups (upland farmers, sustenance fishermen, landless workers) as the basis for strategy development;
- 2) a beneficiary participation component which seeks ways to initiate and expand involvement of poverty groups in local development efforts; and
- 3) the learning process approach which regards activities as continuing experiments generating lessons and experience leading to achievement of Project purpose.

It was expected that in building the capacity of local governments to undertake poverty-focused development programs, LRM would have a positive impact on the related problems of low household income, unemployment and underdevelopment and disparities in income distribution.

The Project utilized the rolling-process design concept and is currently being implemented in seven provinces: Albay and Catanduanes in Region V; Antique and Capiz in Region VI; and Southern Leyte, Eastern Samar and Leyte in Region VIII.

The Project also includes a component concerned with developing a broad range of skills and procedures for local governments to effectively manage financial resources.

A. Purpose of External Evaluation

In the original design, continuous, intensive monitoring, self-evaluation and redesign were considered critical features of LRM. In addition to the regular evaluation and redesign process which is integral to the project itself, there are other evaluation and monitoring requirements related to meeting public accountability and policy review.

One such requirement is the conduct of external evaluations by persons not directly involved in project implementation. The Project Paper provides for

the conduct of two external evaluations; the first one to be conducted 15-18 months into the project and the second, at 27-30 months. This current evaluation is the first one to be conducted but is fulfilling the purpose of the second external evaluation. Thus, this External Evaluation is not intended to focus at the input/output level of the project but to assess accomplishments in terms of institutional development and target group responsiveness. This evaluation was to look specifically into whether LRM-developed systems and approaches have proven to be worth replicating on an expanded scale and whether lessons have been sufficiently documented and management support mechanisms adequately developed to permit replication of selected approaches and systems.

Adding a dimension of urgency to this evaluation activity was the recent sweep of national events which called for a re-alignment of development efforts along stated national priorities. The evaluation was expected to re-examine the relevance of the project in the light of the appeal made by the national leadership to harness all available resources along economic recovery efforts that have immediate and widespread impact on the population.

The purpose of this External Evaluation thus is two-fold: the primary purpose is to provide guidance for project redesign and the secondary purpose is to assess readiness for expansion and replication.

B. Methods, Procedures and Scope of the Evaluation

Considering the amount of data and information already available, the evaluation did not require a major primary data collection effort. However, available documentary information had to be validated and supplemented by information collected through interviews and field visits. The evaluation covered five weeks. The evaluation team included two U.S. contractors, two Filipino contractors and one NEDA representative.

The Evaluation Report is organized around three major issues:

- (1) LRM Management and Administration
- (2) Provincial Strategy and Subproject Development
- (3) Local Financial Management

Findings, conclusions and recommendations relevant to these concerns will comprise the major sections of the Report. In these sections, the report offers recommendations for substantive and procedural changes to accelerate adoption and replication of developed systems and approaches. A preceding section is devoted to an analysis of the current national policy environment and its implications for LRM. A concluding section summarizes the immediate operational implications of the evaluation and draws a set of generic lessons for managers of similar projects.

C. Use of the Evaluation

The Evaluation Team read through volumes of documents, interviewed key actors and gained a feel of the impact the Project had on people in the pilot sites. Weighing the wealth of experiences and lessons generated by the

Project against the pressing need to make the project more relevant and more responsive to the needs of the targetted beneficiaries, the Evaluation Team came to the conclusion that while the innovations began by LRM should be pursued, significant changes in the application of these innovations will have to be made if LRM is to gain the support of its intended beneficiaries.

It is thus incumbent upon the major users of this Evaluation, namely NEDA representing the Government of the Philippines and USAID representing the donor country, to act on the recommendations proposed by the Team, specifically those that center around a more vigorous application of the "LRM approach" which now, in the judgment of the Evaluation Team, can be taken to mean the following:

(1) In the area of targetted planning: The Team recommends that this be understood as the formulation of a Provincial Strategy which will articulate the thrust that the province intends to take in addressing the needs of the broader base of its constituents, a great majority of whom are poor. The formulation of the Provincial Strategy will entail the identification of areas or specific groups requiring strategies tailored to meet their specific needs. The province can generate and put together the required data in a relatively short period of time, not to exceed three months. Community dialogues and consultations coupled with judicious use of existing and available secondary data should form a sufficient basis for formulation of this Provincial Strategy. The Strategy should include specific sub-strategies for identified poverty groups but will also include sub-strategies cutting across various poverty groups. The Strategy should be the basis for the identification and development of the subprojects which the Province will prepare and submit for LRM funding, using the performance payment scheme of the project. The document itself as well as the supporting data base can be refined and amplified over time. Project experience will indicate to the province where research activities can best be put to use, utilizing the Research Fund of LRM. In the identification and development of subprojects, the province should encourage active participation of beneficiaries. Again, subprojects may serve the needs of particular poverty groups or may respond to the needs of a bigger segment of the population. In the process of formulating the Provincial Strategy, the province should give equal attention to identifying the resources and opportunities available in the area with the end in view of weaving the strategies around access to and utilization of these resources.

(2) In the area of beneficiary participation, it is the Team's judgment that the level of organizing done by the four PVOs in LRM pilot sites, varying in theory but essentially employing similar methodologies, is not the scale of sustainable organizing required by the project, particularly in terms of cost, manpower and time requirements. In the light of this, the Team recommends continuation of beneficiary participation methods and approaches by provincial implementors that will lead to the following: a) initial mobilization of target beneficiaries in the early planning processes of the project (strategy formulation and subproject identification). At this stage, a loose type of organizing is all that is required, largely to enable the beneficiaries to articulate their needs, express their views on options open to them and to freely interact with the local decision-makers and resource holders; b) formal organization of beneficiaries around approved LRM subproject or CPF-type of

projects ready for implementation. At this stage, inputs can come in the form of technical assistance pertaining to specific concerns of the project.

(3) In the area of the learning process approach, the team recommends that the notion of using the learning process-oriented nature of the project as an excuse for the lack of visible impact should be replaced with the notion of the learning process as an opportunity for project actors and institutions to adopt a more flexible stance to events and allow these events to positively influence their performance. In this regard, the Team recommends the adoption of learning mechanisms such as regular interprovincial workshops, regional newsletters or occasional case studies in place of the little-understood "Process Documentation." The learning process nature of the project should create a sense of innovation and creativity among project actors but in the interest of increasing project benefits for the rural poor.

SECTION I: CURRENT LRM POLICY ENVIRONMENT

Introduction

The philosophy behind the LRM design took its roots in the conditions pervading the Philippine rural/agricultural sector during the 1970's and early 1980's. Since then, significant changes have occurred in the socio-economic-political environment of the country. The ratification of a new Constitution, the formulation and approval of a medium-term development plan, the advent of a new administration -- all have underscored the validity and importance of LRM as a viable approach towards helping the poor. At the same time, the priorities of USAID have been redirected towards broadening and expanding the scope and impact of LRM.

A. GOP/NEDA and USAID Development Thrusts

1. Rural/Agricultural Sector Policy

The recently ratified Constitution and the newly adopted Medium-Term Philippine Development Plan, CY 1987-1992, provide a coherent policy framework for the priority development of the rural and agricultural sector. The Constitution declares as state policy the promotion of comprehensive rural development and agrarian reform as a means of achieving equity, full employment, and industrialization; the current development plan for the country highlights an employment-oriented, rural-based development strategy. This strategy, launched in the latter part of 1986, will directly address poverty alleviation and a more equitable distribution of benefits to the rural areas. Because agricultural development responds significantly to the basic concerns of national development, it is accorded the highest priority status among all the sectors.

Similarly, USAID policy continues to favor a rural-led economic recovery program for the Philippines through self-reliant and self-sustaining approaches built upon local institutions and beneficiary associations. Current USAID policy emphasizes the programming of limited USAID resources to achieve the highest impact on the rural poor. This assistance is essentially perceived to play a catalytic and strategic role in spurring rural development.

2. Decentralization

The New Constitution encourages the participation of non-governmental, community-based and sectoral organizations in the promotion of the welfare of the nation. It also enshrines the right of the people and their organizations to participate in all levels of social, political and economic decision-making. As provided in the national plan, the private sector, through the business community, non-government organizations (NGOs) and private voluntary agencies, is perceived to play a vital role in development.

The Philippine Development Plan encourages the devolution of government powers from central to field levels, the strengthening of regional and local units as focal points of development efforts, and the

operationalization of a bottom-up development planning scheme. The assumption by local government units of more development functions and services within the framework of local autonomy will be synchronized with capacity-building measures. The new Constitution mandates administrative decentralization to strengthen the autonomy of regional units and to accelerate economic and social growth in the regions. The enactment of a local government code with emphasis on a system of decentralization further emphasizes the devolution of powers to Local Government Units. Recent USAID policy pronouncements also strongly favor decentralized schemes for pursuing rural development.

By virtue of their location and scale, provincial governments are a key focus of decentralization. They are well situated to suit national policies and programs to local conditions, and can make responsive decisions on integrating programs, projects and activities to local needs. With the provinces' closer familiarity with local communities, peculiar and unique resources, problems, and culture, they can assess their potentials, limits, and priorities for development. Provinces have an important role in program supervision, monitoring, and evaluation as well as inter-municipal and inter-agency coordination. Municipalities themselves are too small and too numerous to serve as the integrating focus for decentralized development. In short, with their mandated powers and administrative capabilities, provincial governments can adequately mobilize resources, internally and externally, for technical, financial and administrative assistance to local development implemented at the municipal or barangay level.

3. Changing Actors in Development

The politico-administrative scene in the Philippines is undergoing rapid change. The transition to democratic process that will take place within the next two years, including the election in 1987 of local government officials and members of Congress, will make it difficult to attempt institutional learning at local and regional levels. Experience indicates that not only local elective officials but even career personnel of the civil service, such as local development staff, will be affected by change. At the same time, however, restoration of democratic processes improves opportunities for political responsiveness to the legitimate needs of the rural poor.

B. Implications for LRM

Finding I-1: The GOP policy environment supports LRM objectives by the value accorded to agriculture and rural development, poverty alleviation, and decentralization.

Finding 1.2: The 1987 USAID Country Development Strategy Statement for the Philippines indicates a shift from the previous Development Assistance objective of targetted assistance to the "poorest of the poor", to achieving broader impact on widespread poverty in rural areas.

From a targetted assistance strategy for the poorest segments of society, USAID now recognizes that differences in poverty level within or among regions no longer has great meaning as a resource allocation criterion, since practically everyone is poor. Some in USAID are also questioning the experimental, social-learning logic of the LRM design on the ground that a greater priority is to achieve direct impact on the rural poor in light of current Philippine economic and political realities and USAID's policy of maximizing resource inputs for achieving tangible outputs.

Conclusion I.1: Current policy thrusts of the new Philippine government support efforts to wider application of LRM's emphasis on poverty-focused planning that is responsive to beneficiary needs and to empowering them to participate in their own development.

One of the most debilitating results of poverty is a feeling of powerlessness in the face of institutions controlled by those whom the poor do not know and show values they do not share. Track III of LRM aimed at empowering poor people to do things for themselves, thus spreading power more equitably. In LRM, PVO community organization activities have sensitized poverty groups towards participation in the development process. These target beneficiaries are now better prepared to interact and become partners with mediating structures such as Municipal Development Councils, provincial governments, the private sector, and line agencies of government.

Conclusion I.2: Despite the shift in Development Assistance objectives, current USAID strategy is also supportive of decentralization and rural poverty alleviation.

The new Philippine Constitution and the current National Development Plan, as well as USAID policy, strongly favor decentralized schemes of rural development involving all major actors in the development process. The shift in USAID's assistance objectives points to the need for LRM to reach more beneficiaries.

Recommendation I.1: LRM, at this phase of its life cycle, must emphasize more its potential as a resource for rural economic development and less as a research program or social learning laboratory.

Recommendation I.2: There should be a reduction of emphasis on serving the needs of a limited number of poverty groups. Instead, there should be wider response to the poor with strategies tailored to specific poverty group needs.

These considerations support a redesign drive toward greater decentralization and extensive streamlining of LRM structures, processes and other organizational overheads to expand actual rural impact. In effect, the time has come to shift the emphasis from testing approaches to applying those methodologies that have worked to make provincial planning more responsive to the real needs of the rural poor. The risk of achieving only marginal accomplishments must be reduced by giving equal priority to tangible outputs. This does not mean abandonment of the concept of learning or institutional development in service of the shared goal of better management of local resources. Devices for learning must be more closely linked to the appropriate users of that learning, i.e., project implementors at the local level, and procedures to facilitate learning need to be greatly simplified. For example, sophisticated poverty research to find and identify the poor is unnecessary. By contrast, some provincial analysis to support understanding of the needs of the poor as a basis for strategy development remains appropriate.

Finding I.3: Due to the national and local elections this year, there will be changes in the political leadership of provinces and municipalities.

Conclusion I.3: Local and national officials play a significant role in providing facilitative support and resource input for the LRM. Popularly elected, they can galvanize the community to support and sustain the LRM project.

Recommendation I.3: A program of dialogue should be developed by NEDA in order to introduce critical policy actors to the LRM approach to rural development. The LRM Executive Committee should provide high level support to this dialogue.

Since political - administrative leadership will always be in flux, not only during the lifetime of LRM but beyond, a strategy of communications should be designed by NEDA-PMO to provide regular LRM information to critical policy actors - Governors, Mayors, Congressmen and even Senators. Among these activities could be concept, policy or technical briefings and orientations; Regional Development Councils, Provincial Development Councils and Municipal Development Councils meetings with LRM-focused discussions; one-on-one dialogue with political leaders; newsletters and news releases; and refresher courses for local government officials. LRM activities are well suited to providing information-linkage between the private sector and political-administrative leadership. There should be a deliberate effort to realize this potential.

With the convening of the new Congress, it is appropriate for NEDA to package the lessons derived from LRM experience with the goal of influencing the continuing development of Philippine rural development policy toward responsiveness to the needs of the poor and demonstrated strategies to meet those needs.

SECTION II: LRM MANAGEMENT AND ORGANIZATION

Introduction

The shared priority of NEDA and USAID is to translate the learnings of LRM, Phase I into an increase in direct and measurable benefits to rural families living in poverty. It is essential that the organizational and management arrangements of LRM support this action focus. This section of the evaluation explores this issue with particular emphasis on streamlined and decentralized organizational arrangements, appropriate incentives, institutionalization, and potentials for the expansion of the LRM approach to serve a greater number of beneficiaries. First, however, it is appropriate to review progress and problems to date in establishing institutional mechanisms to support project objectives.

A. Organizational Arrangements

1. Present Status

Finding II.1: The LRM project is too complex. Multiple objectives, a large number of organizational participants, and excessive reporting requirements combined with traditional (and predictable) bureaucratic constraints impede innovation, learning, and impact.

Reflecting the strategic priorities of USAID at the time it was designed, LRM incorporated multiple objectives which, while not contradictory, have diffused attention and made it difficult for project actors to share a common understanding of disadvantaged rural residents (goal level), demonstration of replicable approaches to rural development (purpose level), and a set of institutional objectives including beneficiary organization and participation, organizational learning and capacity-building, better monitoring and evaluation, enhanced research capacity, and improved local financial administration (output level). To move toward these objectives, the project was built around a three "track" structure with separate implementation arrangements and sources of technical assistance. Integration of the tracks has proven to be an elusive target.

As designed, the LRM project assumed the direct involvement of 18 agencies or committees of government, excluding other institutional participants such as PVOs, resource institutions, and cooperating ministries. Despite stated project intentions to work through existing agencies, eight of the 18 primary participating LRM units were created as LRM management or coordinating bodies. Evidence from previous internal LRM assessments, confirmed by evaluation team interviews with project actors, is that many of these committees do not function effectively. This is particularly true of central advisory committees, working groups, and review committees. In short, the project as implemented requires a sophisticated level of project coordination and management with which institutional channels have been unable to cope and cannot be expected to cope in the future.

One consequence of this large number of organizational actors is an overwhelming requirement for reporting. The LRM Manual of Operations lists 26 mandated reports with an annual frequency of 90 separate reporting events with total distribution of 425 copies. The revised Project Management Information System (designed under contract by Sycip, Gorres, Velayo & Co. (SGV)) specifies 52 reports, annual frequency of 90, and distributed copies totalling 335. In both cases, these totals do not include "process documentation" which potentially adds a further large set of reporting obligations. It is intuitively obvious that this number of reports, even if prepared, cannot be effectively utilized in the management of a single project. Most are designed as reports from one level to a higher one or to "coordinating" bodies. However theoretically justifiable each individual report may be, few are serving as effective information aids to actual implementors and, taken as a whole, they represent an unreasonable burden on managers required to prepare them.

Another consequence of complexity and multiple actors is the manifest difficulty in taking action on the many suggestions and ideas, many of them valid, that have emerged from internal LRM self-examination. It often is not clear who is responsible to follow-up in these ideas.

Conclusion II.1: A major lesson of LRM implementation to date is the need to simplify and to decentralize organizational and management responsibilities in order to better serve the primary goal of direct and measurable impact on rural beneficiaries.

Decentralization is a stated goal of the LRM project and a reemphasized current policy objective of both the Government of the Philippines and USAID. Actual decentralization of implementing and funding authority in LRM, however, has been limited and both the NEDA Project Management Office (PMO) and USAID retain an excessive degree of control over key decisions and actions.

A particular need is to focus management responsibility at the implementation level, that is, the province (and, through the province, the municipality for some subproject implementation). Neither NEDA nor USAID are implementing agencies, yet both have an excessive role in project operations, especially through imposition of strict controls and procedures. As implementation problems are experienced, there is a tendency for the PMO to tighten control through more detailed guidelines. The conflict between bureaucratic rigidity and the flexible requirements of innovation has often been resolved in favor of conventional modes of implementation and funding. The resulting impediments then are sometimes attributed wrongly to the experimental nature of the project.

Another need is to eliminate LRM's track distinctions in order to integrate what has been learned from implementation to date. This should be done in concert with decentralization, focusing the linkage of existing track strategies at the provincial level.

Recommendation II.1: The LRM project should be redesigned to simplify its administrative arrangements and further decentralize implementation responsibility to local governments.

Consistent with a focus on the province and on regular structures of government, all special mandated LRM review committees and technical working groups, except the Executive Committee and the Provincial and Regional Coordinating Committees, should be eliminated. Institutions at each level should be encouraged to work out their own flexible coordinating arrangements as appropriate, working through regular government channels.

LRM redesign should be coordinated by NEDA-PMO and USAID with the active participation of participants from NEDA regional offices and provincial development staff associated with LRM. Specific aspects of this redesign are discussed further later in this section.

Finding II.2: Despite severe constraints caused by the cumbersome administrative structure, interest in, understanding of, and support for LRM approaches is high among local government staff.

At the regional and provincial levels, LRM actors have learned and applied techniques of poverty analysis, strategy development, and subproject identification influenced by an improved understanding of beneficiary needs. USAID has documented progress in refining strategy development among first-round provinces (Albay, Antique, and Southern Leyte) that have been through two LRM planning cycles. Evaluation field visits verified that, despite frequent personnel changes among provincial development staff responsible for LRM implementation, there has developed a noticeable commitment to LRM objectives and that provinces have embraced the concept of targeting resources to the needs of the poor.

Conclusion II.2: The LRM project has made slow and uneven but still significant progress toward its institutional objectives as defined in the project logframe "end-of-project status" (purpose achievement).

This progress is most notable in more poverty-focused provincial LRM planning and in techniques of beneficiary organization at the community level. Progress is slowest in the installation of improved financial management systems at the municipal level. Documentation of lessons learned is limited but a variety of analytical reports prepared by provincial governments, PVOs, NEDA (both regional and central offices), USAID, and technical assistance contractors provide a good basis for extracting valuable lessons. The sheer bulk of this documentation hinders its utility, especially for implementors at the local level. There is little evidence of effective synthesis and application of lessons learned.

Recommendation II.2: Any LRM project redesign should build on mechanisms to improve application of the substantial lessons learned and documented to date.

A transition from a learning project to a "catalytic" project is appropriate at this stage. Abandonment of institutional objectives in the interest of funding small subprojects, however, would be irresponsible, wasting the project's investment in learning and limiting LRM potential to have any widespread beneficial impact. Moreover, effective response to the needs of the rural poor requires the capacity to understand the causes of poverty in order to devise appropriate strategies to alleviate that poverty.

2. Future Roles

Finding II.3: The LRM project design did not pay sufficient attention to viable management arrangements to facilitate effective implementation at the field level. As a central planning and coordinating body, NEDA lacks the mandate to manage LRM centrally.

The selection of NEDA as the lead agency for LRM was based on its role as the central Philippine agency for national development planning. In addition, NEDA regional offices serve as the executive arm of the Regional Development Councils (RDC) which, in turn, help coordinate the linkage of line agencies working with local governments at subnational levels. All things considered, NEDA was an appropriate choice as the LRM lead agency. But necessary management arrangements to assure rural implementation responsibility were not designed and have not emerged. The problem is well illustrated in the LRM organizational structure as detailed in the LRM Project Paper. The NEDA LRM "Management Office", headed by the National Project Technical Coordinator, is a staff unit attached to an Assistant Director General for Regional Development and has no line connection to either the Regional Project Technical Coordinator or to local government. Nonetheless, this office is assigned several management functions, including overall project administration, interagency coordination, monitoring and evaluation of LRM project performance, and management of support networks (TA, training, and research). In addition, by virtue of the approval authorities it retains, the NEDA-PMO exercises a high degree of centralized control over project operations. USAID exacerbates the problem by also retaining approval authority over a number of operational activities such as local contracting, subproject feasibility studies, and community project fund disbursements.

Conclusion II.3: LRM institutional roles need to be redefined in the interest both of further decentralization of operational responsibility and of extensive streamlining of accountability requirements as manifested in required approvals and mandated reports.

The broad intent of such a redefinition should be to achieve the following:

- o a substantial reduction in central control of LRM through (1) an easing of NEDA-PMO and USAID regulations and guidelines and (2) devolution of responsibilities and resources to NEDA regional offices.
- o maximum decentralization of planning and implementation responsibility to the provincial level, including the administration of subproject funding for provincial and municipal implementation under LRM, in service of the objective of making the provincial government the primary agent for Philippine rural development;
- o location of primary technical support and funding responsibility (including the contracting of research, technical assistance and information system development), certification of provincial strategies and plans, and performance payment approvals at the regional level. Their responsibilities should be integrated into the existing and normal operation of the NEDA regional offices and not be treated as an extension of national PMO functions;
- o enhanced use of local support resources identified by and responsible to the provincial development staff for technical performance; and
- o the utilization of PVOs and other private sector organizations as sources of contracted planning and implementation support to provincial government rather than as separate, centrally-funded and selected, track implementors.

Recommendation II.3: LRM management should be restructured to assign to NEDA-PMO a primary role as facilitator and advocate for the application of LRM approaches in other Philippine development programs, to the NEDA Regional Offices a primary role in technical direction and support, and to the provincial government a primary role in implementation, including strategy development, planning, subproject identification and implementation, and subproject monitoring and evaluation.

Key operational details of this realignment are explored in Section III of this report. The emphasis here is on the conceptual importance of building the project structure around the province as the key implementing agency, enlarging the role of the NRO in technical support and approvals, and focusing the attention of the center (both NEDA and USAID) on running bureaucratic interference instead of creating it. The NEDA Project Management Office (PMO) has the particular responsibility to develop and nurture productive linkages with outside agencies such as cooperating Departments and donors who are keys to broader LRM impact. A summary of institutional responsibilities for LRM management and support is contained in Appendix 3.

In the wake of this evaluation, NEDA and USAID have an immediate responsibility to act on these recommendations and other suggestions growing out of various recent internal assessments. There is a high risk that a deadening period of inactivity may ensue, particularly with the uncertainties of the period before the August 1987 elections providing an excuse to avoid making critical decisions.

3. Track Linkage

Finding II.4: The LRM track distinction provided a means to focus on separate but complementary activities but has become dysfunctional by serving as a barrier to effective linkage of these activities.

Each LRM track has had different sources of technical assistance (all centrally contracted) and, in the absence of strong overall management, the activities pursued by the separately advised tracks have failed to complement each other to the degree intended in the project design. Links between Track I (provincial planning) and Track III (beneficiary organization and participation) have been dependent on informal coordination between the Track III PVO teams and provincial staff. While the level of coordination has varied, in no case is there significant institutionalization of demonstrated Track III approaches to beneficiary responsiveness within Track I activities. Links between Track II initiatives and the other tracks are almost non-existent, in part because few Track II recommendations have been implemented and in part because the focus of Track II intervention was uniquely at the municipal level.

Conclusion II.4: Effective LRM Track integration will not occur as long as there are separate lines of management and technical support responsible to central direction.

A common criticism of technical support to Tracks I and II from centrally arranged sources has been that analysis, recommendations, and even training have had limited impact on actual implementation due to the lack of "hands on" operational assistance or "coaching". At the other extreme, Track III assistance has had a clear impact on the communities where applied but a disappointing influence on broader learning or procedures in the formal system. This is yet another consequence of the lack of a management focus in LRM.

Recommendation II.4: Management and technical responsibility for all project activities should be placed at the provincial level in the interest of coordinating and linking initiatives in the areas formerly divided into separate tracks.

As noted above, technical support for these activities will be provided by the NEDA Regional Office. As appropriate, implementation

responsibility should be delegated to the municipal government and support provided to this level from the province for improved financial administration. NEDA-PMO should facilitate coordination with the Department of Finance (DOF) for its support to local financial management activities for which they are responsible.

B. Incentives

Finding II.5: The performance disbursement system developed for LRM as implemented through the Municipal Development Fund (MDF) is a significant step in the direction of matching incentives to project objectives.

The performance disbursement mechanism is central to LRM's decentralization and institutional development objectives, especially as a mechanism for strengthening provincial government capacities to formulate development strategies responsive to the needs of the poor. This mechanism links USAID disbursements to a package of provincial strategy development, planning, and subproject implementation that is responsive to identified poverty groups and their needs. The use of this mechanism versus the traditional subproject-linked fixed amount reimbursement (FAR) scheme is highly appropriate for a learning-oriented project that seeks to reorient institutional behavior.

Conclusion II.5: The performance payment scheme has contributed to the development of strategic planning capability in participating provinces.

Provincial plans give evidence of an increase in the capability of LRM provincial governments to conduct poverty analysis, think strategically, and relate programs to identified beneficiary needs. Moreover, this capacity has increased with the second cycle of LRM implementation among the initial group of participating provinces. By matching financial incentives with the thrust of project rhetoric and technical assistance, LRM contributed to this project achievement.

Recommendation II.5: The performance payment scheme should be retained but with modifications that place greater emphasis on subproject impact through the development of provincial evaluation systems that are capable of measuring that impact.

The performance payment criteria have been skewed toward planning as was appropriate for the first phase of LRM implementation. Now is the time to redesign the criteria to incorporate measures not only of subproject implementation (outputs) but also subproject outcomes (impact). Demonstration of impact should be through provincial monitoring and evaluation processes, not through external evaluation of subprojects by NEDA or USAID. Initially, the focus should be on provincial ability to know what the impact of activities is as a resource for learning how to improve implementation.

Learning from error is a legitimate LRM process. Gradually, however, the focus should shift to demonstration of positive impact in accordance with strategic goals and individual subproject objectives. A major technical support responsibility of the NEDA Regional offices is to assist the provinces perform this evaluation.

Finding II.6: The value of LRM as an incentive toward a poverty focus in non-LRM development programs is constrained by the separate nature of LRM systems.

LRM as a demonstration project appropriately was designed with its own funding channels. As noted above, it succeeded in changing the behavior of participating agencies. It has had some, but little, impact on the behavior of non-participating agencies. Moreover, there is little likelihood that special and temporary LRM coordinating units will contribute significantly to building permanent institutional capacities.

Conclusion II.6: LRM provincial strategies are inadequately linked to the routine planning and budgeting systems of the GOP.

LRM sought to broaden its impact through a plethora of coordinating committees and technical working groups at every government level. Few of these committees have served this or any other useful purpose; most have not actively functioned. The lesson of the performance disbursement system is that more direct incentives are necessary as an inducement to non-LRM programs to adopt or adapt the LRM focus on targeted responsiveness to rural needs. Provincial planning should incorporate an emphasis on leverage with respect to outside agencies and non-government resources.

Recommendation II.6: Consideration should be given to using performance disbursements to match regular provincial funding for development projects to the extent those projects were planned in accordance with provincial poverty-alleviation strategy and demonstrated beneficiary responsiveness.

This modification would provide direct linkage between LRM supplementary grant funding and development programs currently under provincial control and included in the annual Provincial Development Investment Plan (PDIP). It would ease the as yet unresolved problem of "reprogramming" funds as a variable incentive keyed to provincial performance. Under this recommended procedure, each province would have a ceiling level of funding but actual disbursement levels would be linked to the manner in which provincial development budgets are programmed with responsiveness to identified poverty groups and consistency with the provincial LRM strategy as the key criteria. Certification should be a NEDA regional responsibility.

C. Institutionalization and Expansion

Sustained impact from the implementation of projects depends on systems and procedures to assure benefit continuation. When external resources end, local actors must be able to continue necessary activities, often with fewer resources than during actual project life. Institutionalization of support mechanisms is thus a key element in benefit sustainability. The Provincial Development Investment Plan (PDIP) and the Regional Development Investment Plan (RDIP), as designated operational instruments for implementing provincial and regional development, are the key mechanisms for institutionalizing the LRM approach in local line ministry rural development programs.

1. Influence on Existing Systems

Finding II.7: Subprojects identified in the LRM Program generally are not included in the PDIP or the RDIP.

The non-inclusion of LRM-identified subprojects in the PDIP and RDIP is a manifestation that the LRM concept, as well as its systems and processes, has been dealt with in isolation and not as an integral part of the package of reinforcing programs and projects within provinces and regions.

The LRM approach was expected to influence various regular local development planning processes since line agencies provide a significant part of government resources flowing to the local level. The provincial government was to serve as a catalyst to leverage these activities to poverty group needs at the local level. This has not happened in most LRM areas. The implementation of LRM has been treated as a special project outside of the total local development planning system.

Conclusion II.7: The LRM approach has not been extended to existing planning systems in most provinces.

Some actors in LRM are still unclear regarding its catalytic role. They have not recognized that LRM activities are continuing experiments which generate and build upon lessons and experiences to provide replicable development models. Neither has the poverty alleviation focus been widely applied outside the boundaries of LRM activities despite its consistency with GOP development goals.

LRM should represent a positioning of resources within an existing system to induce specified types of changes within that system. Those changes will be the outcome of a creative and learning process rather than adherence to rigid centralized guidelines.

Recommendation II.7: Increase the emphasis on institutionalizing the LRM approach through leverage on other local development planning and implementation processes, especially as reflected in the RDIP and PDIP.

As suggested previously, this emphasis should lead to the use of LRM subproject funding as an incentive supplement in support of regular provincial planning and project implementation that accords with strategy poverty-alleviation objectives.

Finding II.8: Officials in some LRM provinces are not sufficiently committed to the Project.

The LRM project is flexible in concept, evolving into more definite form as experience is gained in each location. Because of this characteristic, project implementation depends on a clear understanding of the LRM approach as a basis for flexible application to the local situation. Evaluation team discussions with local officials in some provinces revealed a weak understanding of central concepts such as poverty research and beneficiary participation. The lack of a base of understanding of the LRM concept, exacerbated by a lack of confidence in their role, has hindered some local officials in giving full and effective commitment to LRM.

Conclusion II.8: Provincial and Municipal executives have limited exposure to concepts behind LRM.

Because provincial executives are basically project-oriented, they are more interested in accessing external funds for subproject implementation rather than in utilizing LRM as an approach to learning and to addressing the needs of the poor.

The lack of understanding LRM is due, in part, to the lack of LRM orientation provided to local officials. The focus of orientation programs was on defining roles and activities with inadequate regard for the provision of a theoretical base.

Recommendation II.8: Institute a continuous LRM orientation program for local government officials.

A continuous reorientation of key project actors is required in view of inevitable turnover in local leadership. Coordinating this orientation is an important responsibility of the NEDA-PMO.

2. Broadening the Base for Beneficiary Participation

Finding II.9: Target beneficiary groups in selected LRM municipalities were successfully organized through the efforts of the PVOs.

LRM Track III was concerned with beneficiary participation both in planning and implementation activities of government and with the empowerment of the poor for more self-directed and self-managed development. As intended, this was accomplished through organization of beneficiaries using national level PVOs with proven capacity to do organizational work at the community

level. The PVOs were to act as catalysts in building communication channels and collaborative linkages between the beneficiary groups and the local governments.

Conclusion II.9: The PVO has been an effective instrument in organizing target beneficiary groups.

The inclusion of the PVOs in the LRM project has successfully and effectively opened the local planning system to the poor, addressed their needs and built change-coalitions at the local level to act as catalytic agents.

Recommendation II.9: Institutionalize demonstrated approaches to organizing target beneficiary groups at the community level.

PVO success in organizing target beneficiary groups, and in working directly with them in analyzing their own needs and developing their own self-help efforts provides a model for broader replication in Philippine rural development. Not only have participating PVOs proven to be effective channels for beneficiary organization, they have also been given an opportunity to expand their own coverage and strategic outlook on development.

Now that various approaches to community organization have been demonstrated, however, national-level contracting of PVOs for community organizing should be phased out. The task of community organizing should be continued by local PVOs and other local organizations in support of the implementation role of provincial governments. It should be a provincial responsibility to assess PVO approaches, their relevance to local needs and their cost-effectiveness. There is no one "correct" approach. Each of the four LRM-contracted PVOs has demonstrated approaches to beneficiary organization. It is an appropriate PMO responsibility to facilitate opportunities for PVOs to describe to PDS staff both the results of their activities and how they could be replicated in a cost-effective manner. In effect, the PVOs should compete with other possible sources of technical assistance for provincial contract funding in support of LRM objectives.

3. Expanding LRM Impact

In addition to expanding its influence through institutionalization in non-LRM programs, LRM can increase its impact through geographical expansion.

Finding II.10: The LRM project has demonstrated replicable approaches to strategy formulation, project development, and beneficiary organization.

Conclusion II.10: LRM has graduated from an experimental phase to a point where demonstrated processes of poverty alleviation can and should be implemented on a larger scale.

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LRM approaches for addressing the problem of rural underdevelopment are ready for broader application. Even failure in certain activities is being understood in terms of the causal factors, providing insights that can guide more effective implementation in the future. Those techniques that will require further testing should be isolated and incorporated in the design of future pilot projects. These determinations are an important outcome of future project learning. The shift from an experimental focus to the more pragmatic concern of generating tangible benefits accords with the current policy thrust of the GOP and USAID.

Recommendation II.10: Replicate successful LRM experience by expanding project impact as follows: (1) Expand LRM coverage to municipalities in existing LRM provinces which qualify under provincially-determined criteria; (2) Expand LRM to additional provinces in Regions V, VI, and VIII under criteria to be determined at the regional level; (3) Expand LRM approaches to provinces outside current LRM regions by influence and example but not by direct LRM inputs.

The results of learning experiences in the pilot areas should now be applied more broadly. This does not require that the same degree of technical assistance and subproject funding will be provided. Each candidate province or municipality should be evaluated according to specific criteria unique to the area. It should be a regional decision whether to spread allocated LRM resources to additional provinces and a provincial decision whether to spread available resources to new municipalities. NEDA should support the orientation of new participants.

Among the criteria for the selection of new provinces and municipalities may be: a) incidence or pervasiveness of poverty, b) commitment of the political leaders and other decision-makers to LRM approaches, c) viable development staff, d) availability of counterpart funding, e) availability of local resource institutions and sources of technical support.

To support the expansion of subproject implementation and an increased focus on achieving impact, a larger proportion of remaining LRM funding should be earmarked for subproject funding in each region. This will enhance both the direct impact of LRM activities and the potential leverage effect.

Since the LRM approach, as experienced, offers tested methods for addressing the needs of the poor, the concept and approach should now be shared in non-LRM areas. Systems and procedures, at least in a simplified form, are replicable without major resource requirements. One promising area for replication will be in cultural (ethnic minority) communities where poverty is endemic. The project has had little experience in dealing with ethnic peoples and indigenous methods of decision-making, yet its focus on disadvantaged groups makes these communities an appropriate choice for utilization of LRM approaches. The NEDA-PMO should explore opportunities to orient development actors in non-LRM areas to replicable LRM approaches.

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SECTION III: PROVINCIAL STRATEGY AND LOCAL PROJECT DEVELOPMENT

Introduction

Section I of this report suggested major features of an LRM project redesigned to improve management, simplify procedures, advance decentralization, and enhance linkages with regular provincial development planning. This section examines the implications of these changes for actual systems of provincial strategy and local project development. The effective functioning of these systems in accordance with LRM project objectives is the key to LRM's impact on poverty alleviation. Consistent with the focus of this report on the provincial role in LRM, this section also considers the application of technical assistance and training and of LRM's learning processes to provincial implementation responsibility.

A. Systems Development

1. Provincial Strategy Formulation

Finding III.1: All LRM provinces have been able to formulate an initial strategy that at least meets the minimum standards required for approval by the RDCs.

Finding III.2: The provincial strategy has had at best only minimal impact on the overall provincial planning process.

Internal assessments have frequently cited the high turnover rate and the relatively limited skills of personnel in the PDS as a major problem in accelerating implementation of the LRM project. This is one problem that possibly could be reduced by some novel intervention, but project managers should accept the fact that this situation will continue in some degree well beyond the life of this project. With this in mind, it seems evident that every effort should be made to keep the requirements and complexity of systems and procedures in LRM to the minimum required to achieve useful results. This specifically applies in the case of the multi-year provincial poverty alleviation strategy. All seven LRM provinces have been able to produce initial strategies that the RDC could accept. Some of the provinces have already refined and revised their strategies while others are in the process. However, the provinces have not availed of the research opportunities offered under the project to enhance their strategy formulation. This aspect of the LRM process will need greater emphasis in the immediate future. Nevertheless, progress to date indicates that with assistance from the NROs, the PDSs have and will continue to improve their strategy formulation abilities and, thus, the strategy itself.

On the other hand, field evidence indicates that regardless of the quality of the LRM provincial strategy, it has had little to no effect on the overall provincial planning process. The PDSs appear to view the formulation of the strategy as an LRM requirement, period. They see a link to resulting

LRM-funded subprojects but, with few exceptions, not to other province activities or to line-department programs within the province.

Conclusion III.1: The PDS has the capacity to formulate a multi-year provincial strategy that should adequately address poverty alleviation objectives and provide a system for the allocation of resources to meet the needs of the poor.

Conclusion III.2: Limited gains for LRM will result from an improvement in the quality of provincial strategies, but significantly more could be gained by utilizing the strategy in a wider application at the province level.

Provinces should be encouraged to use their formulated strategy in the preparation of their overall provincial plans, including efforts to influence line departments in the selection of activities for implementation in the respective provinces. This process may include LRM-type projects for which other sources of outside funding could be sought by the provinces. One possible source might be the local government fund established by paragraph 7 of PD-144.

While not increasing the complexity of the process, provinces should be encouraged to give more attention to the projected multi-year funding requirement to fully implement the strategy. The estimates almost certainly will exceed the resources of the project. Knowing this order of magnitude should facilitate effort to have the provinces make broader use of their strategies. The multi-year aspect of the estimates likewise should facilitate use in longer range provincial planning.

Recommendation III.1: Retain the LRM emphasis on the formulation of provincial strategies as a basis for effective programs of poverty alleviation.

Recommendation III.2: Adopt policies and procedures that will encourage the province to make more extensive use of its provincial strategies in its overall planning process.

In other parts of this report, it has been stated that performance payment criteria should be changed as the project matures to move towards more focus on impact. Consistent with that theme, one factor that should be considered in the annual review for the performance payment is the use of the provincial strategy in provincial plans. An incentive system could be devised which rewards the province with additional subproject assistance if it has made extensive use of its strategy in developing and implementing its plans and programs. This kind of LRM incentive would support greater provincial investment in poverty alleviation activities that were identified in the planning process.

2. Provincial Annual Program Plan

Finding III.3: As presently used, the Annual Program Plan (APP) is neither annual nor program oriented.

By design, the APP is tied to the regional budget cycle. This plan, as prepared by the PDS, provides a general description and the estimated cost of subprojects proposed for funding. Subproject identification should grow out of surveys, research, and discussions with local officials, local leaders and the poverty groups themselves. After approval by the Provincial Development Council, the plan is forwarded to the RDC. The RDC reviews the APP to assure consistency with the provincial strategy. The approved plan is incorporated in the Regional Development Investment Plan which, through the budget process, results in an appropriation level for the Department of Budget and Management (DBM) to enter in the national budget.

In fact, the so-called first round of subprojects (CY 1983 funding) for the most part were selected at the same time the provinces were preparing their strategies. Although the selections were found by RDC to be consistent with the respective provincial strategies, the subprojects obviously were not a direct result of utilizing the strategies. Likewise, a number of the subprojects were identified by the provinces with no discussions with or inputs from the targeted groups. These were mostly infrastructure type of subprojects. Income generating subprojects did involve work with the targeted groups although, again, not as a result of implementing the provincial strategy. This type of start-up is entirely understandable in view of established time schedules in the GOP budget process and the natural desire on the part of the LRM project actors to get things moving.

Field evidence indicates that the provinces have made more use of their provincial strategies in developing their second APP. However, the APP is sometimes still viewed as a vehicle for getting project funds for subprojects. None of the provinces fully understand it as a program of actions aimed at alleviating poverty.

The time cycle of the APP has been anything but annual. The provinces are just now completing their CY-83 subprojects. CY-84 subprojects generally are still in the implementation phase. No APPs have been prepared for CY-85, 86 or 87. A repeated complaint of the provinces is that they appropriated local counterpart funds in their budgets for each year, but received no matching funds from the project.

Conclusion III.3: To achieve smoother implementation of project activities in place of the start and stop process to date, policies and procedures must be geared to: (1) making the preparation of the APP truly an annual process with emphasis on the participation of beneficiaries in the selection of subproject, and (2) integrating the APP into a broader provincial planning process that also would actively seek other than project resources to focus on poverty alleviation activities.

Consistent with the stated intent of LRM to build on existing structures and systems, special attention might be given to provisions of the law (PD-144) which apportions a portion of the national internal revenue allotments to local governments as a means to achieve more effective use of the APP. Under this law, 20% of the annual allotment must be appropriated for development projects. The annual list of activities must be approved by a Department of Local Government (DLG) field representative before implementation can be initiated. All LRM provinces are now using this budget appropriation as the source for their local counterpart funding for subprojects. Using an incentive system possibly like the one cited above could encourage a province to put more emphasis on LRM type activities when preparing its annual program. This in effect, subject to RDC concurrence, would become the APP of the province. To promote annual implementation, means might be developed to allow provinces to use their own local resources to initiate approved APP activities and receive LRM reimbursements when project funding is subsequently available. This would mean using local funds to temporarily fund in full some activities at the expense of delaying others, but at least it would give the province the option.

To encourage better planning of the selection of activities to be funded under the development provisions of PD-144, the DLG issued a Memorandum Circular (which DLG officials advised is still in effect, but not enforced) requiring provinces to prepare a rolling 5-year Capital Improvement Program (CIP) that would include, among other things, a listing of the potential development activities and projects. Utilization of this CIP process could give a province a clearer understanding of the APP as part of a larger process and to view the APP as something more than a vehicle for obtaining project funds.

The APP, based on a CIP that followed the provincial poverty strategy and reflected people-oriented projects, would then become a one year implementation schedule for the Provincial Development Investment Plan. The CIP format would also encourage the province to apply and use the revenue and appropriation projection skills that have been developed under the earlier Track II activities.

Recommendation III.3: Develop and adopt the necessary policies and procedures that would permit participating provinces to fund LRM subprojects annually.

This recommendation would probably be easier to implement if provinces were also encouraged to prepare a CIP or some type of rolling multi-year plan

3. Subproject Development

Finding III.4: Feasibility study requirements are more complex than necessary.

There seems to be general agreement in the field that the feasibility study requirements are more complex than is necessary to have reasonable

assurance that the proposed subprojects are sound, needed and workable. This has been particularly true for provincial subprojects as distinguished from small beneficiary-initiated projects specifically intended to be financed from the CPF.

This again represents an area where project designers and actors should clearly recognize that the PDS personnel can and do handle these requirements, but there will be staff turnovers, and some of the staff will have limited training in required skills. Thus, the requirements for feasibility analyses should be as simple and straightforward as possible in order to achieve desired results. This is equally if not more true for beneficiary-initiated projects to be financed from the CPF where, in some cases, the beneficiaries themselves are involved in the preparation of the limited feasibility (type) studies.

Conclusion III.4: Excessive feasibility study requirements have resulted in unnecessary delays in the preparation and approval of sound subprojects.

The NROs have recognized the need to revise the feasibility study requirements and have expressed the view that this is being achieved without any significant reduction in the validity of the studies.

Recommendation III.4: Adopt less complex feasibility studies for provincial subprojects as an LRM standard and retain the more simple feasibility requirements for CPF financed beneficiary-initiated projects.

4. Subproject Implementation and Monitoring

Finding III.5: Significant problems have been encountered where the province (PDS) has served as the implementors for income generating type of subprojects.

Finding III.6: Monitoring of provincial sub-projects generally is ad hoc but appears to be adequate and sufficient.

To date, only a relatively few provincial subprojects have been completed. There has been even less experience with CPF financed beneficiary-initiated projects. Therefore, content of this subsection of the external evaluation is built on a very limited data base. Nevertheless, one problem area appeared often enough to permit a generalization. Where the province directly implements an income generating type of subproject, problems are frequently encountered in procurement of commodities that are to be provided to the beneficiaries. Provinces are always faced with the numerous (but not necessarily complex) requirements of the GOP procurement process. As related

to the normal provincial functions, the PDS and others can cope with the system without major adverse effect. If cement and rebar cannot be procured on the planned schedule, the implementation of the bridge or road can be re-scheduled to begin a month or several months later as conditions demand. However, this ability to bend as the system requires cannot be applied safely when dealing with people-oriented subprojects designed around weather conditions or fishing seasons. If fertilizer is not available when needed, the crop cannot be put on hold for several months. Tuna fishing is confined to several specific months, not just any month when boats and supplies are available.

This type of procurement problem was not found in the CPF funded activities. These funds are not subject to the GOP procurement regulations, so more flexible procedures could be applied.

Both provinces and PVOs monitor subprojects in an informal or ad hoc manner. However, with their close involvement in implementation and the more formal parallel financial monitoring, particularly on the provincial subprojects, this arrangement appears to be entirely adequate to obtain desired results.

Conclusion III.5: Provincial subprojects appear to be the best channel for infrastructure activities while income generating subprojects require more flexible financial arrangements to permit timely and economical commodity procurement.

Conclusion III.6: Regular provincial monitoring methods are adequate for current LRM Project requirements.

It is probably unrealistic to expect the GOP to change or waive its standard procurement requirements just to meet the needs of specific and special requirements of LRM subprojects. The short range alternative, therefore, is to find workable procedures within the existing system. The CPF (based on limited experience) has proven to be an effective and workable means to implement income generating and other beneficiary-initiated projects. This has not been true of provincial subprojects where provinces are taking on an activity that is outside their traditional role. Based on this experience, and consistent with recommendations made during internal assessments, it would appear that LRM implementation would be simplified by some degree if income generating activities of both the provinces and PVOs could be funded through a CPF-type mechanism and provincial subprojects limited to those involving infrastructure. If this is done, then the rules for CPF will need to be modified to allow larger activities and access by the province. Any redesign in this area should also give careful consideration to how the revolving funds will be handled after the phase-out of the LRM Project.

Consideration should be given to restructuring the CPF as a guaranteed credit window through the rural banking system. The province should have the authority to certify loan applications according to criteria established by NEDA, USAID and the participating banks. These criteria should include a link

to provincial poverty analysis and strategic priorities. Once the longer range alternative funding system has been identified, efforts should be made to implement it as soon as practical and concurrently reduce the flow of CPF financing through central PVUs. This approach provides the opportunity for achieving the merger of Track I and Track III activities as originally intended in the LRM design.

For the present, the PDS has taken on the role of implementors for income generating types of provincial subprojects. PDS is not by mandate and has not in fact in the past fulfilled this role. On the other hand, no other office in the provincial government immediately appears as an obvious choice for this role. However, if PDS is to maintain this responsibility, then more attention must be given to the staffing implications. Options other than direct staff increases should be fully explored, such as contracting with local PVUs to carry out implementation activities for the income generating subprojects. One obvious advantage to leaving this responsibility with PDS is the direct involvement that would be necessary with the targeted poverty groups. This certainly should have a positive effect on efforts to make the provincial planning process more people oriented.

In the case of monitoring of subprojects, this seems to be the time to apply the rule, "if it isn't broke, don't fix it." The very theme of LRM has been to try things to see if they work. In this case, the provinces seem to have existing systems that adequately meet their needs. Until there is strong evidence to the contrary, no effort should be made to impose a new LRM system on the province. Note this clearly refers to the area of monitoring as distinguished from evaluation.

Recommendation III.5: Limit provincial subproject to infrastructure activities. Use only CPF for income generating beneficiary-initiated projects until an alternate funding mechanism can be put in place for use by the province even after project termination.

Recommendation III.6: Do not impose a formal LRM subproject monitoring system on the provinces.

As noted earlier, there should be incentives for provinces to expand the use of the LRM process. As the project matures, emphasis should shift to impact. Use of financial incentives and demonstrated impact implies that an effective project evaluation system will be developed and installed. Design of such a system may mandate more formal socio-economic monitoring requirements, but even then efforts should be made to require of the provinces only what they themselves need and will use.

5. Beneficiary Participation

Finding III.7: With some exceptions, beneficiaries have been involved in the identification, selection, development and implementation of all provincial subprojects and beneficiary-initiated activities.

Finding III.8: Where long delays have occurred between project identification and development and the availability of funding for the subproject, it has been difficult to sustain the interest of the participating beneficiaries.

During the start-up period for LRM, the time constraints of the budget process and the pressures to have visible project activities resulted in less than ideal participation of beneficiaries in the subproject selection process. Some of the subprojects, particularly infrastructure type, were identified and developed by the provinces with virtually no inputs from the intended beneficiaries. Subsequent discussions with the beneficiaries revealed that the selected subprojects were not consistent with their own priorities. In other cases, the provinces did work with targeted groups to identify income generating subprojects but were still unable to accomplish successful implementation.

Again, these types of problems are understandable in view of the lack of experience of the PDSs in implementing any type of subprojects but particularly income generating subprojects requiring substantial work with organizing the beneficiaries. In some cases, the PDSs recognized their limitations and tried to obtain the assistance of the Track III PVO that had arrived after the provincial subprojects were underway. Often this request for assistance was received with less than enthusiasm by the PVO who did not feel any way responsible for providing such assistance.

While the absence of beneficiary participation has been a problem in some Track I activities, that problem has been virtually absent in the Track III activities that have been implemented by four experienced and qualified PVOs. Although the methods and procedures of the four PVOs have varied, all have been successful in getting a high degree of participation by the targeted beneficiaries. While the number of beneficiary-initiated projects actually implemented under Track III is relatively small, there is ample evidence that the beneficiary participation process is working as intended in the original LRM design.

The major beneficiary-related problem in Track III has been funding delays after subprojects have been identified, developed and ready for implementation. This sometimes resulted in a loss or at least reduction of interest by the participating beneficiaries. However, for purposes of this subsection of the evaluation, it should suffice to note that the cause of this problem is contracting and other administrative arrangements unrelated to the involvement of the participating beneficiaries.

Conclusion III.7: The stronger participation of beneficiaries in Track III activities handled by PVOs as compared to Track I income-generating subprojects implemented by PDS reflects in large part the relative experience and skills of the PVOs and PDSs to implement beneficiary-oriented activities.

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Conclusion III.8: It is essential that loan funds be available for the beneficiary groups when they have completed all the organizational work and are ready for implementation.

Even with the acknowledged problems in the provincial subprojects, the people-oriented poverty focus of LRM has given targeted beneficiaries a much higher degree of involvement in subproject selection than previously occurred in normal provincial activities. However, this greater involvement in LRM activities has not as yet resulted in a significant increase in the beneficiary participation in other more traditional provincial activities.

As the LRM project coverage is extended to more municipalities within the seven current provinces or to more provinces or both, it is unreasonable to anticipate that the same high level of external human resources will be available for income generating subprojects which, as to date, has been provided to the participating beneficiary groups. It is, therefore, essential that project management make every effort to see that potential roadblocks do not occur when they are entirely within their administrative capability to avoid. This is the case with funding of CPF being tied to PVO contracts.

Recommendation III.7: Adopt policies and procedures that will provide financial incentives to the provinces to give priority to beneficiary-identified subprojects in their overall development plans.

Recommendation III.8: Contract with PVOs for a period of time that will assure CPF funds will be available when the organized beneficiaries groups are ready to implement their income-generating activities.

6. Provincial-Municipal-Beneficiary Linkages

Finding III.9: LRM is developing reasonably strong linkages between the beneficiaries and the municipal governments.

Finding III.10: Provincial-municipal linkages tend to follow government-to-government channels.

As part of their work in organizing the targeted poverty groups under Track III activities, all of the PVOs have made efforts to develop linkages between the beneficiaries and the municipal governments particularly focusing on the role of the Municipal Development Council (MDC). While there is still limited data, there is no doubt that these linkages have been established and already have had some influence on how the pilot municipalities select subprojects and allocate their own resources. Considering the proximity of the beneficiaries to this government unit and the nature of income generating subprojects contemplated under the LRM, continued progress in this area can reasonably be anticipated during the entire life of this project.

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The linkages between the municipalities and the respective provinces tend to be from one level of government to another. Where the beneficiaries or other groups will try to influence the decisions of a municipal government, it is the municipal government, not the various groups as such, that will regularly deal with the provincial government. In practical terms, there is also the matter of location. Where proximity is an asset to the beneficiaries groups in dealing with a municipal government, the distance to a provincial capital will often be a major hindrance.

Conclusion III.9: The linkages between beneficiary groups and municipal government will continue to develop and strengthen during the life of the LRM Project.

Conclusion III.10: Meaningful linkages between beneficiary groups and the province will be indirectly through the municipalities and dependent on a strong direct linkage between the municipalities and the province.

Previously, reference was made to the lack of experience PDSs have had in working with beneficiaries to identify, develop and implement viable income generating subprojects. However, this experience, once obtained, should make the PDSs more sensitive to the need for a people-oriented focus in broader provincial planning activities and, therefore, will positively contribute to developing linkages between the province and the various beneficiary groups. Any direct linkage, for the most part, will exist only for LRM subprojects. The broader provincial planning and development processes will at best involve interaction at the municipal level. No matter how desirable direct province/beneficiaries involvement may be, it is unrealistic to believe that provincial planners will go below the level of municipal government to seek information of beneficiary groups for the identification of subprojects and other provincial activities. However, this need not be viewed as a problem or a communications roadblock provided the municipal-beneficiaries linkage is functioning properly and the provincial planning process provides for meaningful inputs from the municipal governments. This is where a people's participation oriented PDS can serve as an important facilitator in developing strong province/municipal linkages and thus strong indirect province/beneficiaries linkages.

Recommendation III.9: Continue development of the type of municipal-beneficiaries linkages that the four PVOs have already initiated.

Recommendation III.10: Adopt policies and procedures, particularly as related to subproject funding, that will provide financial incentives to the provinces to give priority to beneficiary-identified subprojects recommended by the municipalities.

For all practical purposes, Recommendations III.7 and III.10 can be considered as a single recommendation.

B. Technical Support

Since LRM efforts were seen to extend beyond more traditional approaches to planning, budugeting, and resource mobilization, technical assistance requirements for the project received special attention during project design and project implementation. Fifty three percent of total project cost has been earmarked for technical assistance, training and research. Various institutions were contracted to provide these inputs.

Finding III.11: Resource institutions contracted to provide technical support tended to do so, more to fulfill stipulations in their respective contracts rather than to adapt to the dynamic and flexible character of the project itself.

There was little evidence of the resource institutions' efforts to blend with the Project and allow Project experiences to dictate the specific nature and type of technical assistance to be provided. This resulted in the impression that LRM was a combination of three projects, with each one having a discrete set of objectives, activities, and sources of technical support.

Conclusion III.11: The manner in which the technical assistance inputs were provided affected the assimilation of learning and the quality of performance among project actors.

The "learning process" as it unfolded in the past four years of implementation was characterized by a predictable, programmed provision of technical inputs given much along the "banking" system of learning rather than the "problem-solving" system. "Learning" was confined to a transfer of pre-determined sets of skills from the sources of learning (consultants) to the receivers (project actors/beneficiaries). The consultants interacted with the project actors on the basis of the latter acting as "implementors" of models previously tested and validated by the former. It was too often a case of a learning process project using patented, tested "blueprints" as technical assistance inputs.

The result was the transfer of specific sets of skills and knowledge with very minimal impact on performance of tasks and functions related to the adoption of appropriate approaches and systems.

Recommendation III.11: The responsibility of responding to the technical requirements of the project actors should be lodged at the NEDA Regional Office. Contracting authority should go with the responsibility. As contract administrator, NRO should have the full concurrence of the participating provinces in these matters.

Consultants should design research and training programs to suit the particular needs of users or learners. Technical inputs should provide them with tools that will equip them to carry out their regular functions more effectively.

A suggestion was made by field staff for LRM to encourage local academic institutions to design and offer a degree course on rural development planning which the local government staff can avail of on a staggered basis. This would respond to the long-term requirement of having highly qualified staff at the provincial and municipal levels; it will likewise provide for a formal infusion of LRM concepts into the academic community. A commitment from staff who benefit from this training to continue local service for a period of time should be part of any such arrangement.

C. The Learning Process

The Project Paper carries a working definition of the Learning Process in LRM. It is a "self-assessment" process regularly experienced by implementing entities at each level and participating resource institutions to bring about institutional learning within the implementing organizations and other participating agencies.

A recent AID/Washington Paper has this to say: "The learning process approach is essentially the application of the old adage "learning by doing" and "learning from experience" at the institutional level. In practice, it constitutes guided experimentation with new approaches for institutions to carry out their functions and responsibilities." One clear indication that the learning process has set in would be observable changes in managerial behavior and performance of project actors, as well as marked changes in organizational dynamics particularly in areas dealing with decision-making.

Finding III.12: The learning process concept in LRM has not been commonly understood to mean "institutional learning"; it was equivocably interpreted and given various shades of meanings, largely associated with "process documentation".

"Process documentation" when spoken of or written about in Project documents refers to the faithful recording of all project activities made by various project actors at all levels to serve a purpose that may arise at some future time. The Project Paper cites process documentation as source of institutional learning among participating agencies and organizations but project actors seemed to have been made to believe that it is the learning process itself. Each set of project actors did its own process documentation. Utilization of process documentation was limited to extracting lessons learned. Insights and recommendations were directed at changes that should happen in LRM rather than in organizational and institutional adjustments needed to be able to carry out innovative tasks and functions demanded by a project such as LRM.

Conclusion III.12: The irregular functioning of the learning process mechanisms (periodic workshops at the local, regional and national levels) contributed to the slow assimilation of the institutional learning objectives of the Project.

Voluminous recordings and documentations have not led participating agencies to reflect on their own functioning and to institute organizational or management reforms.

Recommendation III.12: Project actors at the various levels should utilize a variety of learning process mechanisms which will allow for the continuous exchange of experiences among project participants and will eventually lead to an institutional climate that will be supportive of the innovations being introduced through LRM.

Planning and assessment workshops were annually conducted in the past. These workshops were excellent occasions for reflecting on institutional experience and exploring areas where institutional change could occur. However, more regular and locally-initiated interprovincial, inter-institutional (PVOs) interaction should be encouraged. Circulation of newsletters and short case studies of project experiences is an example of a cost-effective learning process mechanism. Project actors at each level should determine the role that simplified Process Documentation might play in their respective learning process mechanisms and design their documentation system accordingly.

SECTION IV: LOCAL FINANCIAL ADMINISTRATION

Introduction

LRM, and its component activity, Real Property Tax Administration (RPTA), were both designed to respond to the problem of low levels of capacity in provincial and municipal governments to effectively generate and manage financial resources. LRM Track II has the broader scope of the two and is concerned, in general, with the development of a broad range of skills and procedures within local governments to enable them to manage and otherwise maximize revenues from existing local tax sources. However, RPTA is concerned primarily with the development of improved systems for increased real property tax collections.

Because LRM Track II covered most of the same areas as RPTA, a decision was made in June 1984 to subsume RPTA activities under the LRM umbrella. In practice, however, the two activities have remained distinct, with no common management structure (NEDA for LRM Track II, and DOF for RPTA). Very little is now going on in either activity with Track II technical assistance ended in April 1986 and RPTA largely inoperative since September 1984. This section of the evaluation examines the status and progress of Track II activities with a view towards determining what is feasible and desirable for GOP and USAID support to local financial administration. It will assess, in particular, the importance and priority which must be given to local financial administration, especially as this LRM component relates to the RPTA .

A. Present Status

Finding IV.1: Technical assistance services for Track II have resulted in a large number of recommendations in regard to revenue generation, budgeting and financial controls. Few of these recommendations, however, have been implemented and installed in the pilot provinces and municipalities.

Technical assistance services for Track II included an evaluative and action-oriented research which produced a large number of recommendations. Briefly, the recommendations relate to such aspects of local financial administration as the preparation of revenue and expenditure profiles as the basis for projections, intensification of tax information campaign and revenue collection efforts, application of data banking systems, and approval in some provinces of a revised tax sharing scheme. Some evidence exists that Track II activities have resulted in greater awareness among local government officials of additional revenue sources available to local government units. There is also evidence that some local counterpart staff created by the track consultants have acquired some expertise in using some of the techniques and procedures for improved financial management which are, in fact, in place in some of the local government units (e.g. the data banking system and the preparation of revenue and expenditure profiles). Field verification visits by the evaluation team, however, confirm the common observation made that most of the recommendations, though they have been discussed and cleared with local authorities through various workshops and seminars, have not been

installed by the local government units concerned. Several constraints and conditions have been observed to account for this state of affairs, including the lack of mandate from central government agencies, turnover of trained staff, and inadequate follow-on activities by the track consultants. It also seems clear, however, that a major reason for the non-implementation of the recommendations is that many of the financial management systems and procedures proposed are overly complicated and do not lend themselves to easy comprehension by local government personnel. Understanding and use of the proposed systems and procedures are made even more difficult by the fact that they are described only in broad terms in some 21 documents and their manualization has not been completed by the track consultants. Local officials are, therefore, left without a simple reference manual to aid them in fully operationalizing the recommended systems.

Conclusion IV.1: Refinement and manualization of financial systems and procedures will enhance the implementation of Track II recommendations. Installation of the proposed systems and procedures, however, will not significantly improve local income.

The availability of manuals for reference by local government officials will greatly aid in the implementation of the recommended measures for improved local financial administration. It may usefully be pointed out, however, that even the full installation of the systems and procedures developed by U.P. Public Administration Foundation (UPPAF) will probably generate little additional revenue to local governments simply because local tax revenues outside of those from the real property tax constitute a very small proportion of total local government income. In some LRM provinces (e.g. Antique) revenues from local sources (excepting real property tax collection) make up less than 1 percent of total provincial income. For this reason, project investments in additional technical assistance services should henceforth be at the discretion of the provincial government.

Recommendation IV.1: To fully benefit from investments made in technical assistance services for local financial administration, UPPAF should be required to complete the refinement and manualization of financial systems and procedures. Beyond the completion of this task, no additional central contracting of technical assistance for local financial administration support is required.

Refinement and manualization of recommended financial systems and procedures may be viewed as the essential completion of LRM Track II operations. Results of the proposed national policy seminar-workshop on issues and problems in local financial administration could provide useful inputs to this task. Recommendations which require central government intervention because of their national policy implications (e.g., the distribution of more taxing powers to local governments, exploitation of other revenue sources, etc.) should be submitted to the Department of Finance (DOF)

and appropriate central government authorities for deliberation and decision. On the other hand, recommendations that can be acted upon by local executives without the need for explicit orders or directives from the central government (e.g. using income projections in local budgeting, tax sharing scheme between the province and the municipalities, etc.) may be implemented at the discretion of the local governments concerned.

B. Proposed Focus on RPTA

Finding IV.2: The full potential of the real property tax as a major source of local revenue remains largely untapped. A major constraint to improved real property tax generation is the cost of improved RPTA systems (tax mapping and related operations).

Real property tax revenues constitute about 80 percent of total provincial income from local sources. The full potential of this tax source still remains largely untapped due in large part to the lack of tax maps.

Conclusion IV.2: Despite the costs of improved RPTA systems (tax mapping and related operations) they still offer the best opportunity for increased local revenue generation and thus for transforming local governments into more financially self-reliant units.

Evidence exists that the benefits that can be derived from improved RPTA systems would, in the long run, offset the costs of installing them. Assessment of the previous RPTA work initiated under the Provincial Development Assistance Program (PDAP) showed that collection-efficiency (collections over collectibles) in the first post-RPTA year improved significantly. In some municipalities, in fact, collections increased by more than 300 percent. Therefore, unlike other sources of local revenues covered under LRM Track II, improved RPTA systems would directly contribute to the ability of local governments to determine and independently finance local development programs. It may be noted, in this connection, that although additional capability building activities are required at various levels of government, a basic capability exists in the DOF and the provinces to install the improved RPTA systems..

Recommendation IV.2: Funding should be made available under the local financial administration component to implement tax mapping and related operations for RPTA. Management of this component should be fully assigned to DOF which has the official mandate to undertake local financial administration functions.

DOF is the logical home for local financial administration activities. All local government treasurers and assessors (whose cooperation and involvement are essential to project success) are employees of the DOF. Moreover, DOF personnel have already gained some expertise and management experience under Phase II of RPTA project. It should be stressed, however, that additional technical assistance and training is necessary to strengthen the capacity of DOF and local government officials and staff in the planning, development and implementation of RPTA systems.

As the implementing agency for LRM, NEDA will play a role in the transmittal of LRM funds for these limited RPTA activities. It is a PMO responsibility to work out the minimum necessary coordinating arrangements with DOF. These arrangements should not involve joint management of the activity but only the necessary information sharing for NEDA to monitor the use of the LRM funds. Another alternative is to separate the RPTA activities into a separate USAID-supported DOF project. This choice should be based solely on questions of administration convenience to be determined in discussions between NEDA, DOF, and USAID.

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CONCLUSION: IMMEDIATE OPERATIONAL IMPLICATIONS FOR NEDA AND USAID

This section of the report summarizes the more important recommendations that require prompt attention of the LRM Project Executive Director and his staff and offers suggestions on means to implement the recommendations. The underlying assumption, of course, is that the recommendations are acceptable to both NEDA and USAID.

(Recommendation IV.1). As soon as UPPAF completes the manual required under its Track II contract, copies should be distributed to LRM provinces with a cover letter explaining implementation is entirely their responsibility and that there will be no additional central TA for this purpose. (Recommendation IV.2) At the same time, negotiations between NEDA, DOF and USAID should be initiated with the aim of immediately reactivating the tax mapping component of RPTA. Whether this is done within the LRM project or as a separate project should be based solely on administrative considerations.

(Recommendation II.1, II.3, and II.4). PMO should prepare clear and explicit guidelines for distribution to all project actors stating:

- (a) The three track concept has been abolished;
- (b) Except for the Executive Committee and the Provincial and Regional Coordinating Committees, all LRM specially mandated committees and working groups are abolished;
- (c) Authority to certify strategies and plans and approve request for release of funds is decentralized to the NEDA Regional Offices.
- (d) Management and technical responsibility for all local project implementation activities is decentralized to the provinces;
- (e) The responsibilities of the major LRM institutional actors are as indicated in Appendix 3 of this report.

(Recommendation I.2). In the same guidelines, it should be explained that LRM has abandoned the original design concept of the single poverty group focus, but clearly state that the concept of a poverty group focus for provincial strategy development and subproject implementation activities remains valid.

The above actions generally can be accomplished by administrative fiat. However, one important detail that must be worked out by PMO and USAID is the procedure for allowing the NRO to contract for the TA requirements of the provinces. Even while this is being resolved, the NROs should be advised by PMO to start working with the provinces to identify their TA requirements. This will facilitate prompt implementation once the contracting arrangements have been resolved.

In terms of accelerating LRM implementation activities and substantially broadening beneficiary coverage, availability of annual funding is viewed as absolutely essential (Recommendation III.3). Unlike the case of improving

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administrative arrangements for LRM, which requires only the agreement of NEDA and USAID, this important recommendation, in varying degree, involves a number of other actors such as DBM, DOF, COA and DLG.

The issue becomes more complex since the recommendation cannot be treated in isolation but concurrently with funding arrangements (Recommendation III.5 and III.8) and incentives (Recommendation III.7 and III.10) as well as planning (Recommendation III.1 and III.2). Consequently, the evaluation team cannot lay out a blueprint to implement this important recommendation. However, some specific actions can be suggested.

The preparation of the APP by the province and the approval by the RDC should be de-linked from the availability of project funds. Each province should be authorized to proceed with implementation of its approved APP using its own funds, if it so chooses, with the understanding that it will be reimbursed when project funding is available. Ideally, the reimbursement of local fund expenditures should not be limited to use for LRM activities. It appears that this procedure would require no change in the flow of funds arrangement - DBM authorization to MDF, then DOF release to provincial trust fund. The change required is to make the reimbursement an authorized use of the trust fund. This can be accomplished with the approval of DBM, DOF, and COA. PMO should take the initiative in obtaining these approvals.

Another related key element of redesign is to develop a sustainable funding mechanism for CPF that does not require the use of a central PVO as a channel. (However, it is recognized that until such an alternative system is developed, the PVO channel should be continued to avoid disrupting the implementation actions). The PMO should initiate discussions with representatives from COA, DBM, DOF and USAID to identify the specific constraints that will be encountered and then develop acceptable procedures to accommodate the administrative and legal requirements of a fund to support livelihood subprojects outside formal provincial requirements.

A similar approach should be followed by PMO in developing a system to grant additional funding incentives to provinces that incorporate the "LRM approach" in the selection of subprojects for their overall annual implementation plans. In the body of the report, suggestions have been made on how this could be accomplished in part by building on the existing requirement for the provinces to use part of the BIR allotments for development activities. Obviously, this is offered as one option but not an exclusive channel to achieve the desired results.

Redesign will necessitate a reorientation of key project actors, particularly at the province level. (Recommendation II.8). This need may be accentuated by the results of the local elections scheduled for August 1987. Therefore, PMO should promptly plan this reorientation activity and prepare materials that will be required. This, of course, cannot be finalized until matters like financing and related procedures have been resolved but that should not be a reason for delaying initiation of this activity.

It appears that the best approach for replication of "proven" beneficiary participation approaches would be for PMO to provide a forum for the four

PVO's to explain their experiences to all provinces and let each province select what they may want to use as part of their TA requirements. A more valid evaluation of replicable approaches could then be made in the future based on the provinces' use of the PVOs and with the revised funding procedures in place.

(Recommendation I.3). In the interest of wider LRM influence, the PMO should "package" the extensive learning from LRM implementation to date for distribution to high level decision makers in Philippine rural development. Recipients should include at least all NEDA Regional Offices, the non-LRM provinces in Regions V, VI and VIII and appropriate committees of the new Congress.

SS

LESSONS LEARNED

Certain findings of this evaluation have relevance beyond the LRM project itself and can serve as general lessons learned for the design and management of other projects. These lessons include:

1. The performance payment concept should be more widely utilized by USAID in projects with institutional development objectives in order to link financial incentives with institutional behaviour.
2. Projects with complex interagency coordination demands should address the specific management requirements of making these arrangements work rather than assuming that the necessary adjustments will occur or that mechanisms will evolve to insure coordination.
3. Experimental, learning-oriented projects are vulnerable to changing USAID and host Government priorities. Ambitious design expectations that cannot be protected from policy shifts should be moderated to fit bureaucratic realities. In short, USAID funded projects are probably not well suited for social experimentation on the scale of LRM.
4. Without a clear understanding of the importance of building institutional capacity, project success will tend to be assessed in terms of more traditional and easily-measured outputs.
5. Change in attitudes and perceptions is an integral part of reorienting planning and implementation systems. This change must occur at all levels, not just at the implementing level.
6. Learning-oriented projects require flexible funding mechanisms to support innovation, trial and error, and localized operations free from rigid hierarchical control.
7. Assigning program implementation responsibility to lower levels of the bureaucracy increases the chances of the program directly benefitting the poor.
8. Innovations to be introduced by new development programs should not proceed unless arrangements to assure sustainability of program benefits are deliberately built into the design.
9. Externally-funded programs should avoid creating mini-bureaucracies within the larger bureaucracy. Programs receiving special funds should operate within the prevailing political and administrative systems so that innovations introduced will benefit not only the special project but the larger system that it is a part of.

A P P E N D I X 1

USAID/Philippines
LOCAL RESOURCE MANAGEMENT PROJECT (492-0358)
Evaluation Scope of Work

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I. THE PROJECT

In the early 1980's, AID and the GOP conceived the LRM Project as the first part of a 10-year, multi-phased local development program to gradually reorient provincial level planning away from the traditional sectoral/area approach and towards a new direction labelled the people-centered planning approach. LRM was designed as one of AID's four major programs under the FY 1982 CDSS.* The Project's purpose is to identify and test replicable, targeted, and participatory approaches to local development. Since prototypes of such approaches do not exist, the Project utilizes the "rolling design" mode of project implementation. Activities are essentially regarded as continuing experiments which generate and build upon lessons and experiences to achieve the project purpose.

The Project has three major components: Provincial Strategy and Local Project Development (Track I), Local Financial Administration (Track II), and Beneficiary Organization (Track III). LRM designers anticipated that at some later point, Tracks, I, II and III would converge. The resulting convergence between Tracks I, II and III would represent the desired middle ground or "synthesis" between the traditional top-down and innovative bottom-up planning approaches.

Under LRM, provincial governments take center stage. They are assigned the crucial catalytic role in local development, i.e., to encourage greater participation by business, civic, religious, and educational organizations; municipal governments; and most importantly, beneficiaries (poor groups) at the municipal and barangay levels. Thus, a sizable portion of project resources is directed towards building up provincial planning and financial capacity through technical assistance and training.

The Project is being pilot-tested in seven provinces located within three regions: Albay and Catanduanes in Region V (Bicol); Antique and Capiiz in Region VI (Western Visayas); and Southern Leyte, Eastern Samar, and Leyte in Region VIII (Eastern Visayas).

The Project Agreement was signed on August 31, 1982. AID funding amounts to \$13.9 million, while the GOP counterpart is \$10.6 million. The Real Property Tax Administration component (\$6.9 million AID funds and \$6.05 million GOP counterpart) was formally appended to the Project on 21 September 1984. The Project Assistance Completion Date (PACD) is August 31, 1989.

II. PURPOSE OF THE EVALUATION

The primary purpose of the evaluation is to provide guidance for project redesign based on (1) lessons accumulated during four years of project implementation and (2) the new priorities of AID and the Philippine Government.

* The other three are Rainfed Resources Development, Small and Medium Enterprise Development, and Primary Health Care. All these were designed as rolling design/learning process projects.

The degree to which this primary purpose can be achieved will depend upon the attainment of certain first order objectives. These are:

- (1) to assess the progress towards achieving the project goal and purpose;
- (2) to identify major constraints to project implementation;
- (3) to identify and measure Project impact on institutions and on target beneficiary groups; and
- (4) to assess fit between project goal and purpose, and current conditions and GOP/AID priorities along three themes: decentralization, simplification, and generation of tangible outputs.

The secondary purpose of the evaluation is to assess the readiness of the LRM Project to expand to new municipalities and/or provinces.

The major users of the evaluation results will be AID and the Project's lead implementing agency, the National Economic and Development Authority (NEDA). The results will be invaluable in the formulation of immediate operational decisions, as well as in meeting longer-term planning requirements. Within the next few months, key decisions must be made on the scope and delivery of technical assistance, streamlining of management and financial systems, and expansion to new areas. The project must be redesigned to support the attainment of the current goals of AID and the GOP in rural and agricultural development.

III. BACKGROUND

(a) Overall Accomplishments

Over the last four years, the LRM Project has provided technical assistance, training, and commodities to provincial and municipal governments and beneficiary groups. The Project's overall accomplishments and major problems are summarized below:

Under Track I, the Development Academy of the Philippines (DAP) provided formal and on-the-job training to provincial governments in the preparation of feasibility studies, project monitoring and evaluation, strategy formulation, and social science research. The first planning cycle under LRM was completed in about 18 months. This cycle resulted in twelve "impact" subprojects, i.e., small infrastructure and livelihood projects in poor communities, being implemented in LRM provinces. The second planning cycle started in mid-1984 and is about to be completed. Sixteen impact subprojects are covered under this cycle.

Under Track II, the U.P. Public Administration Foundation provided the provinces with assistance on how to better manage their finances and generate more revenue. Track II is expected to capacitate local governments on their own to sustain the LRM planning process. The RPTA activity was appended to be the lead vehicle to carry out this objective.

The on-going work of the four Track III PVO's (Philippine Business for Social Progress, International Institute for Rural Reconstruction, UPLB Development Foundation, Inc., and International Law Center) appears to be one of LRM's bright stars. Initial implementation of the Community Project Fund (CPF) has also shown very good promise.

One important continuing concern under LRM is the ability to fully operationalize learning systems, i.e., mechanisms to enable the Project to continually adjust its course based on actual experience. Thus, the voluminous data and information generated has not been fully put into maximum use to guide project implementation. It has taken the project actors some time to operationalize the concepts attendant to learning systems. Now a fully integrated Project Information System (IPIS) is about to be completed and ready to be tested and implemented.

In terms of Project management, there is consensus concerning the need for simplification and decentralization. It is expected that a simplified structure will result from a streamlined project design.

(b) The LRM Environment

LRM design was shaped by certain conditions prevailing during the late 1970's and early 1980's. These conditions are briefly described below in order to (1) provide the context for the existing Project design, and (2) set the stage for assessing the basis for Project redesign.

- Signs of economic recovery were perceptible beginning in the late 1970's up to early 1983. The rate of growth in many rural areas in the country was encouraging. However, despite massive investment in infrastructure to increase agricultural and industrial output, certain poor groups were left out and remained in a persistent state of destitution. LRM's poverty focus was to help bring these disadvantaged groups back into the mainstream of socio-economic progress.
- There was a search for alternative planning frameworks that would effectively deal with the poverty problem. There was in fact a growing disenchantment with sectoral and integrated area planning approaches as ineffective tools for planning. Most notable of which are the problems of many provincial IAD projects and quick release local government funding programs like Kilusang Kabuhayan at Kaunlaran (KKK) which were funded by donor institutions like the World Bank.
- Under the FY 1982 CDSS, AID's resources were to be focused on three core regions and on the poorest of the poor. Thus, LRM is being implemented in Regions V, VI, and VIII, and primarily targets rainfed farmers, artisanal fishermen, and landless workers.

In the very first year of LRM implementation, the politico-economic environment changed radically. An economic and political crisis set in immediately after the Aquino assassination on August 21, 1983. Growth rates plunged and relief and development resources practically dried up. With a constricted revenue base, the government could barely make both ends meet. It encountered great difficulty meeting its budgetary and counterpart funding commitments for foreign-assisted projects. As a result of increasing dissatisfaction with the Marcos Government, the insurgency situation became increasingly worse, particularly in the rural areas.

The worsening insurgency situation could in fact be attributed to the implementation of impact programs which understates the importance of a good and a participatory planning process which resulted in the gross wastage of public funds due to poor and haphazard design and institutionalized graft and corruption. Governors and mayors with heightened sense of public accountability have increasingly turned to well-planned projects involving beneficiary participation to booster public image. From 1983-1985, full implementation of LRM has generated increasing support from project actors as a slow but sure way of addressing the poverty problems and restoring people's faith in government.

However, with poverty becoming endemic throughout the country, AID has dropped the regional and poverty focus of the early 1980's. AID assistance is no longer confined to the four core programs of the early 1980's. With a shrinking development assistance (DA) budget, AID has decided to give top priority to agriculture and to strengthen the linkage between resource inputs and tangible outputs. On the part of the host country, there is a fledgling, popular government which is trying to make its mark and create stability amid a ravaged economy. The concern is to generate immediate employment capability to prime economic recovery counterbalanced by adoption of a democratic consultative process and wise stewardship of scarce resources to reduce poverty.

(c) Current Goals and Priorities in Agriculture and Rural Development

AID and the GOP agree that in the area of agriculture and rural development, the priority goals are two-fold. First, income and productivity should increase as quickly as possible. The severe socio-economic crisis which began in 1983 continues to significantly erode real incomes and push most rural residents deeper into poverty. The deterioration in the economy has bred socio-political problems which require swift and effective action from the Philippine Government. Second, the private sector should play a more active role in the development process. Over the last twenty years, the national government has been assuming an increasing burden in financing and organizing agricultural and rural development activities. It has also infringed upon traditionally private sector activities such as commodity trading. The need to mobilize local private sector resources becomes more essential since financial difficulties will continue to beset the new government. In order to promote privatization, policies which encourage the efficient use of resources and which provide incentives for increased private investments will be supported.

In the context of the broad development goals described above, the LRM Project could become a principal GOP/USAID instrument for attaining the following specific objectives:

1. To make the provincial government the primary agent for rural and agricultural development. This would require the provision of technical assistance, training, and authority to strengthen the provincial governments' capability to more effectively augment, coordinate, manage and allocate scarce development resources.
2. To strengthen the inclination and capability of poor groups at the local (provincial-municipal-barangay) level to participate in rural development processes. Beneficiary organization and empowerment at the grassroots level, complemented with appropriate social and economic policies, will provide poor groups with broader and sustained access to productive resources.
3. To effectively mobilize latent local financial, human, and natural resources in support of sustainable and replicable development activities.
4. To reinforce local public and private initiatives for socio-economic improvement by quickly providing financial and other resources in support of small infrastructure, livelihood, and other activities.
5. To identify and replicate in other provinces successful approaches or models for local development.

IV. STATEMENT OF WORK

The Evaluators will focus on the three major questions provided below. These questions and subordinate issues fall under three major themes:

- (1) Planning and Subproject Development, which deals with questions related to Tracks I and III;
- (2) The role of Local Financial Administration (Track II); and
- (3) LRM Management and Administration, which deals with questions related to the functions, responsibilities, and powers of the many agencies participating in LRM and their guidelines and requirements.

The issues are organized in this order to encourage the evaluators to first determine what changes in LRM strategies are advisable and then to recommend a simpler administrative structure to support those strategies.

Each section first provides the major question. Then it lists the pertinent issues. Attachment I provides some background information and evaluation guidelines corresponding to each of the issues. In most cases, resource persons are identified and specific documents for background reading are suggested.

THEME 1: PLANNING AND SUBPROJECT DEVELOPMENT

Major Question: What is and should be the role and scope of Poverty Analysis and Strategy Formation? What is the nature of their link to the development of provincial community projects?

Issues

- (1) Are the emerging policies, goals, and strategies of AID and the GOP with regard to the rural/agriculture sector sufficiently understood to provide the context for Project redesign?
- (2) Given the changes in the GOP and USAID since the project was designed in 1982, what specific target group should the project focus on--"pockets" of disadvantaged groups in the province, e.g., fishermen, or a specific area in the province (i.e. barangay, municipality) where there is a concentration of "poor" that might include multiple poverty groups?
- (3) Depending on the answer to (1), what are the minimum data requirements for planning strategy and projects? For monitoring the projects?
 - a. Is the provincial officials' grasp of who the relatively disadvantaged groups in their area validated by LRM-sponsored poverty analyses? Is this good enough for LRM work?
 - b. Are all secondary sources of data being tapped and utilized prior to the design of any new data collection efforts?
 - c. Who is the most appropriate group to plan, collect and process the required additional data? For example, should members of the PDS participate in data collection? Do they have the time and capability?
 - d. Should the PDS be responsible for the poverty research (to the extent it is necessary for LRM) as a full time activity?
 - e. How can the dynamics in the poverty groups' economic interaction in the community that become evident during the formation of beneficiary groups be fed into the province's accumulation of information for planning/strategy formation?
 - f. What is the simplest way to organize information from the beneficiary groups, the PVO's, and the provincial planners to facilitate including "lessons learned" in subsequent provincial planning?
 - g. What is the optimal timing for the collection of overall poverty identification data (who they are, where they are) if it is not known or available already?
 - h. What information should be included in a monitoring system? Is an overall project information system (PIS) appropriate, or are smaller systems organized at the provincial level more desirable?

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DAP has designed the "Bacacay Exercise" as a model for linking poverty analyses and project design. Other contractors have experimented with less formal mechanisms for exchanging information between planners and designers. SGV has designed a project MIS. To what extent can these meet the project's information needs after they are defined in steps a-g above?

- (4) What is the best way to link the data for planning and the subsequent provincial strategies formulated on the one hand, and the development of the projects on the other?
 - a. In all areas, how do the subprojects already completed relate to the planning process? What factors facilitated or hindered the process: capacity of the beneficiary group or local government unit; appropriateness of local government unit involved; level of staffing; management; leadership; communication; guidelines from NEDA; flow of funds? What are the perceptions of the beneficiary groups in these matters?
 - b. How useful has the Community Project Fund been in facilitating Track III subprojects? What have the constraints been?
 - c. What have been the social and economic benefits on the beneficiary groups since the subprojects were implemented?
 - d. What has been the experience in similar activities, i.e., planning and project design at the local level, that were not part of the LRM process?
 - e. Of the subprojects developed thus far, what strategies utilized by the four PVO's resulted in "poor" results?
 - f. How can additional subprojects be initiated through the beneficiary organizations already developed through LRM?
- (5) Assuming that the planning role will still concentrate at the provincial level, who should provide the required technical assistance to the planners?
 - a. What is the appropriate duration of technical assistance to local planners?
 - b. Given the possibility of merging Tracks I and III, is the province capable of undertaking the Track III function?
- (6) The LRM Project has stressed "learning processes". Had the process adopted by the provincial staff (in strategy formation) and by the beneficiary groups (in project development and implementation) had a chance to work as originally intended, or has this process been constrained by implementation problems? If it has had the chance to

work, how effective has it been; that is, did the outputs (strategies, subproject design, subproject implementation) improve?

- a. Multiyear Provincial Development Strategies and Annual Program Plans were developed. How useful are these? What is the degree of circulation and utilization of these documents?
- b. To what extent has there been interaction between the local government staff, resource institutions and beneficiary groups in project design? Implementation? Monitoring?
- c. What is the current role and performance of the beneficiary groups in the subprojects developed under the LRM project?
- d. What is the rate of participation in the organizations developed? Are they continuing to hold meetings? How many people show up? Are these the same people who originally joined and participated in planning the subproject? Is there real discussion at these meetings?
- e. How can the beneficiary groups developed during the life of the LRM project be sustained after the project?

THEME 2: LOCAL FINANCIAL ADMINISTRATION (TRACK II)

Major Question: What should be the role of Track II in a redesigned LRM? If Track II is continued, what changes, if any, are needed in its design and/or operations--including its relationship to RPTA--that would improve performance while helping to simplify LRM?

Issues

1. What agency should have an overall management responsibility in the implementation of the Track II component of the Project?
2. Which organization(s) should be responsible for providing technical assistance and training to pilot local government units under Track II in the future? Assuming MOF is not the Track II management agency, what are the coordination, administration, and technical arrangements that should be forged or laid down between the Track II management agency and MOF which has a purview and mandate on the area?
3. What institutional capacity building program that should be undertaken by LRM to develop the institutional capacities of fiscal agencies involved in the Project?
4. What innovative financial management systems and procedures developed so far under Track II are being adopted and implemented? Require further testing? Proven unworkable?

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5. What specific measures can and should be taken to make the financial management systems and procedures developed under Track II simpler, more useful and more adaptable to the varying capacities of local governments and needs of LRM provinces?
6. Should introduction of Track II into new provinces precede, occur simultaneously with, or follow introduction of Tracks I/III? Should this vary depending on the capacities of the provinces?

THEME 3: LRM MANAGEMENT AND ADMINISTRATION

Major Question: How can LRM's management and administration be simplified and resource use made more flexible?

Issues

1. What are the strengths and weaknesses of LRM's organizational and management structure? Can the number of key operating/implementing structures be reduced or expanded? Which should be abolished or retained, and if retained, what should be their respective functions, responsibilities and powers?
2. Can simplification of management, increased funding flexibility, and improved implementation be promoted through devolution of some functions, responsibilities, and authorities from NEDA central office, to the NRO's and to the provinces? If so, what functions, responsibilities, and powers should be devolved? What is the extent of devolution possible given the present capacities and commitment of the Governor and his staff? How can capacities and commitment be increased?
3. How can the provincial strategy and local project development, research and training implementation procedures be simplified to ensure operational efficiency and productive results?
4. How can greater flexibility be introduced into use of project resources while still satisfying GOP and AID financial accountability requirements?
5. Is LRM ready to expand to new provinces? If so, how should new provinces, municipalities, and communities be selected?
6. What should be LRM's short-term and long-term strategy for dealing with the uncertainties caused by the replacement of many elected local government officials during every election and fast turnover rate of key staff members in the provinces?
7. How can the increased capacities within provincial and municipal governments created through LRM be sustained?
8. How can LRM management more adequately respond to the uneven capabilities among the provincial governments?

V. METHODS AND PROCEDURES

The analytical methodology for the evaluation will involve two distinct but interrelated approaches:

- One strand of the evaluation process will involve a close examination of the history of project operations to determine what has worked, what has not, and what the causes of success and failure have been. This line of effort will need to define structural and procedural changes in the Project which will enhance the chances for success given the complex problems and constraints facing the Project.
- The second strand of the evaluation will involve working backwards from current AID and GOP objectives to the realities of the Project as it exists today, seeking to find the strongest lines of commonality between the two and looking for realignments of project elements to sharpen those lines of commonality.
- The third strand of the evaluation will involve the examination and assessment of project implementation experiences based on the functioning of the different processes to identify and define the input output relationships. These procedures will consider the original project purpose and objectives as indicated in the Project's Logical Framework.

The product of the evaluation will be a synthesis of these two lines of analysis. One major area of concern is the number and the complexity of project components. Another is defining lines of action for each remaining element and defining resource allocation for enhancement. Lastly, the evaluation should propose a practical timetable for the achievement of the Project goal and purpose.

Considering the amount of data and information already available, the evaluation will not require a major primary data collection effort. Instead, the challenge is to sort through the mass of existing information and then decide which ones can be most useful. For purposes of the evaluation, however, available information will have to be validated and/or supplemented by information collected through interviews and extensive field visits.

The evaluation will cover approximately five weeks. Within the first week, the Evaluation Team will prepare a detailed work plan for approval by AID and NEDA/PMO. The conduct of the evaluation will tentatively commence on the second week of February, 1987. The following table provides the list of other activities and indicative deadlines.

<u>Activity</u>	<u>Deadline</u>
a. Preliminary meetings between Evaluation Team and AID/NEDA to discuss this Scope of Work	End of Week 1
b. Finalization of detailed work plan	End of Week 1
c. Review of existing data and information	End of Week 3

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<u>Activity</u>	<u>Deadline</u>
d. Validation of existing information through interviews and field visits	End of Week 3
e. Presentation of draft report and debriefing	End of Week 5

VI. EVALUATION TEAM COMPOSITION

The Evaluation Team will be composed of five individuals: one U.S. contractor, one AID/W representative, two Filipino contractors, and one NEDA representative (from outside the PMO). The U.S. contractor should be one who has a strong international reputation in the field of rural/local development. He must have previously worked in the Philippines. The AID/W representative will come from one of the technical offices in AID/W.

The Filipino contractors will have expertise in rural development management and GOP budget and finance. The NEDA representative must be a regular staff member/official with experience and exposure in regional development planning and programming and project monitoring and evaluation.

VII. REPORTING REQUIREMENTS

1. Format of the report. The evaluation team will prepare a written report containing the following sections:

- Basic Project Identification Data Sheet. (See Attachment 2);
- Executive Summary. Three pages, single spaced. (See Attachment 3);
- Body of the Report. The report should include a description of the country context in which the project was developed and carried out, and provide information (evidence and analysis) on which the conclusions and recommendations are based. Preferably, the report should not exceed 40 pages. Additional details may be included in the appendices;
- The report should end with a full statement of conclusions and recommendations. Conclusions should be short and succinct, with the topic identified by a short sub-heading related to the questions posed in the Statement of Work. Recommendations should correspond to the conclusions; whenever possible, the recommendations should specify who, or what agency, should take the recommended actions;
- Appendices. These should include at a minimum the following:
 - (a) The evaluation Scope of work;

- (b) The Logical Framework, together with a brief summary of the current status/attainment of original or modified inputs and outputs (if these are not already indicated in the body of the report);
- (c) A description of the methodology used in the evaluation (e.g., the research approach or design, the types of indicators used to measure change, how external factors were treated in the analysis). Evaluators may offer methodological recommendations for future evaluations;
- (d) A bibliography of documents consulted.
- (e) AID Evaluation Summary (See attachment 4)

2. Submission of Report

- a. Draft Report. This will be circulated among concerned GOP and AID and concerned local government officials at least 48 hours before oral presentation scheduled at the end of Week 5.
- b. Final Report. Copies will be distributed to the appropriate GOP and AID officials, and will form part of the permanent project record.

3. Debriefing. As its final activity, the Evaluation Team will brief representatives of concerned agencies and institutions regarding results of the evaluation.

VIII. FUNDING

Project grant funds in the amount of \$50,000 will be used for the one American and two Filipino contractors. AID O/E money will be used for the AID/W representative. Total GOP contribution (in cash and in kind) is estimated to be the peso equivalent of \$5,000.

BACKGROUND INFORMATION AND EVALUATION GUIDELINES FOR THEME 1

Background

Several issues have been documented regarding the implementation of the LRM strategies. These are discussed in detail in the various LRM in-house assessments conducted; some of these are briefly highlighted below.

(1) Lack of coordination between Tracks

The project operates under three discrete implementation tracks (I, II, and III) that are mutually supportive and reinforcing and will converge in the future at a pace to be determined by experiences and learnings. However, the present implementation arrangement has to be modified to effect a better synchronization of inter-track output, particularly with Tracks I and III which both deal with beneficiaries and subproject implementation.

(2) Inappropriate Poverty Studies

LRM Provinces conducted poverty studies which were found to be inconsistent with the prevailing needs of the target beneficiaries. Likewise, the provincial poverty studies sampled from a number of municipalities did not necessarily reflect the true poverty situation in the province.

(3) Lack of talent to conduct Poverty Studies

Related to issue (3), the inappropriateness of the poverty studies conducted is partially attributable to the absence of capable individuals within the Provincial Development Staff (PDS). Further, the consultant responsible for technical assistance to the PDS provided intermittent services, resulting in poor poverty studies. The provinces have a number of capable local experts but retaining them has been a constant problem because of low salary rates.

(4) Inadequacy of Regional and Provincial Monitoring System

Even though an integrated project monitoring system is now being fully operationalized, the feedback mechanism is still inadequate to provide project management with necessary information for decision-making and corrective actions. Monitoring function has also been constrained by financial/logistical problems which prevent local staff from conducting site visits and meetings.

(5) Inappropriate Subprojects

In some cases, the subprojects identified and implemented by the province were perceived by the beneficiaries to be wrong projects. This resulted

from inconsistencies either in conducting the poverty studies or site selection for Tracks I and III. Beneficiaries expressed disappointment in being excluded from identifying and implementing subprojects.

(6) Ambiguity of the Guidelines Formulated

Various guidelines formulated are subjected to various interpretations by the different project actors due to the rigid requirements of involved ministries (i.e. OBM, COA, MOF, etc.). These guidelines (budgeting, programming and release of funds, subproject monitoring, etc.) which result in unnecessary delay in subproject implementation have to be revised/amended to fit the prevailing situation and to provide flexibility.

(7) Overly sophisticated feasibility studies

The requirements of subproject feasibility study preparation are tedious for a simple LRM subproject such as water system, public enterprise or agri-based cropping. These feasibility studies had to go through a repetitive refinement process which resulted in unnecessary delay in implementation.

Guidelines

Issues (1) and (2)

Evaluation Team should stress the need for USAID/NEDA management level meetings as soon as possible to discuss these policies. The focus of the remainder to the evaluation depends on these answers.

Documents: FY 1987 CDSS
Philippine Development Plan 1987-1992

Issue (3)a.

There is a range of possibilities regarding the province's initial awareness of poverty groups at the beginning of the LRM process. First, the province might already have data on poverty groups, collected through foundations or others, that are sufficient to identify target groups. Second, the most disadvantaged poverty group in a province might be obvious and quite well known without requiring much data. Third, the province might require information in order to identify poverty groups. Similarly, there is a range from bad to good in the different province's respective capabilities to analyze and utilize data in formulating a strategy. The evaluation team should make recommendations regarding how flexible LRM must be to accommodate these differences.

The team should contact: John Lamb
Carlos Fernandez, DAP

Documents: Provincial Planning Documents
Bacacay Exercise Sourcebook
DAP Terminal Report
SGV's Assessment of Existing Information System

Issue (3)b.

The Evaluation Team should determine if the provincial staff responsible for planning have checked with all local research institutions and foundations to obtain relevant planning data. Further, they should: (1) assess whether the planners have the capability to recognize whether the available data are current enough and of sufficient quality to be useful for planning; (2) determine if there are constraints to obtain the data.

Documents: LRM Operational Assessment Report
DAP Terminal Report

Issues (3)c. and d.

The Evaluation Team should discuss this issue with Regional NEDA staff, Provincial staff and the PVO's which have been involved in LRM. The recommendations should consider the answers to (3)a. and b. above and can certainly be different for each LRM area. A further recommendation should be made to address the issue in provinces that are not yet in LRM. The turnover rate among the PDS staff and politics of the province must be considered.

Issues (3)e. and f.

One of the reasons for this would be to enable the beneficiary groups, along with their PVO technical advisors, to express their views on the constraints to improving their economic performance, and the kinds of subprojects that would help to alleviate those constraints. The Evaluation Team should determine if the players in the other LRM areas agree with this view, and if so, recommend a simple approach for the beneficiary group/PVO to communicate these insights to the province. The approach should allow for the concurrent flow of information from the province to the PVO regarding the evolution of their strategies. Ideally, this exchange of information should not occur once, but at regular intervals. It should be the basis for the monitoring system.

Contacts: Antique Provincial staff
PBSP-LRM Project staff
John Lamb

Issue (3)g.

If the Provincial planners do not have a picture of the poverty situation, and the compilation of secondary data and information from potential beneficiary groups is not sufficient for planning, then when should

a study (e.g. Rapid Rural Assessment) be done? The Evaluation Team should recommend whether assessments of this kind seem to be necessary in the ongoing LRM areas as well as for potential new areas. The recommendation should consider the answers to (3)a.-c. above.

Contacts: Regional NEDA staff, Provincial staff, PVO's

Issue (3)h.

The Evaluation Team should recommend what information are necessary in order to facilitate the planning of subprojects, to monitor the implementation of those subprojects and to evaluate their impact. The recommendations should provide for the simple approach for exchanging information at the provincial level (issue (3)e.) and consider where the "information center" should be; e.g. the PDS or another provincial office, the NEDA regional office. Should elements of the SGV system that was designed be retained? How flexible should the development of an appropriate monitoring system be under LRM--is a different system for each province appropriate? Who needs to participate in the formation of the system in order that it be used?

Contacts: NEDA Regional staff, Provincial staff, PVO's, John Lamb

Documents: DAP Bacacay Exercise, SGV system Manual for the PIS

Issue (4)

These issues closely relate to all the issues above, but from more of an evaluative perspective. That is, what specific activities under LRM should be retained, dropped, modified or emphasized to a greater/lesser degree?

Issue (4)a.

The Evaluation Team should assess these issues through discussion with NEDA national and regional staff, provincial staff and PVO's.

Documents: DAP Terminal Report

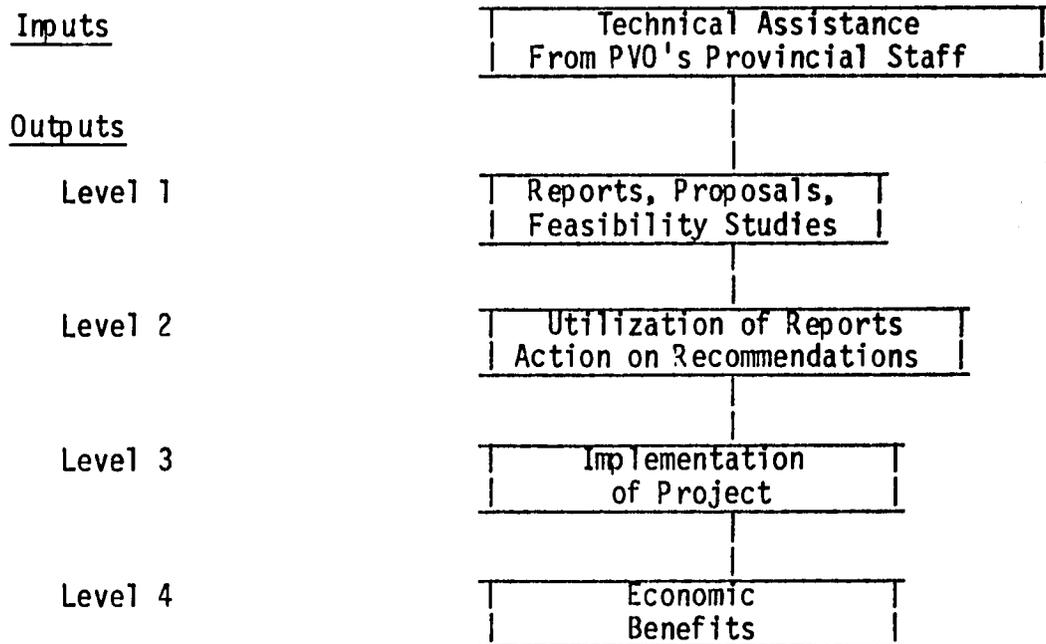
Issue (4)b.

The Evaluation Team should review relevant documents and hold discussions with those listed under (6)a.

Issue (4)c.

There is a series of linked events that must occur before a particular subproject can be associated with economic benefits. One simple model could be:

Figure 1. Linkages Between Inputs and Project Benefits



It is likely that few of the subprojects developed under Track III have reached level 4. It is also probable that quantitative information is limited, since no monitoring system has been in place. Given these constraints, the Evaluation Team should not spend a great deal of time assessing level 4 benefits. They can ask the beneficiary groups and the PVO's to furnish whatever figures that they have. Focusing on levels 2 and 3 will be more appropriate. Level 2 can be approached through discussions to determine what happened to documents developed under LRM. The utilization of a report can be anywhere on a continuum where the low point is that it sits on a shelf and is never read by anyone to a high point where it is widely read and the ideas are implemented. What happened under LRM? Level 3 can be addressed by determining whether a project actually was implemented and is functioning.

Issue (4)d.

The Evaluation Team should concentrate on this issue only as time permits.

Issue (4)e.

The evaluation team can compare the various strategies used in LRM mainly through discussions with beneficiary groups, provincial staff and regional NEDA staff.

- Documents: NEDA 1986 In-House Assessment
PVO Conference Proceedings
PVO Terminal Reports

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Issues (5) and (6)

The Evaluation Team should make recommendations based on discussions with the provincial staff and the NEDA regional staff, with input from the PVO's. They should also attempt to speak with the directors of the beneficiary groups to the extent possible.

Documents: DAP Terminal Report
SGV Assessment of Existing Information
PVO Reports

BACKGROUND INFORMATION AND EVALUATION GUIDELINES FOR THEME 2

Background

The Mission currently has two activities (LRM and its component activity, RPTA) which are intended to respond to the problem of low levels of capacity in local (provincial and municipal) governments to generate and manage revenues. LRM's Track II has the broader scope of the two projects, and because it covers most of the same areas as RPTA (as well as others), a decision was made in June of 1984 to bring RPTA under the LRM umbrella. In practice, however, the two local finance activities have remained distinct, i.e. with no common management structure (MOF is the lead agency for RPTA) and very little interaction among personnel involved. Neither Track II nor RPTA is now active, with Track II operations on hold since April 1986 (when the technical assistance contractor's contract expired) and RPTA dormant since September 1984.

Both activities have encountered some major problems, and with the current hiatus in Track II and RPTA implementation, this evaluation offers the opportunity for a fresh look at what is feasible and desirable for GOP and AID support to local financial administration. It is especially important to examine the role of and priority which should be given to Track II in LRM and Track II's relationship to RPTA.

A number of documents are available which assess performance under Track II and RPTA, and without going into detail, some of the problems identified include the following:

1. Implementation of RPTA has been hampered by weak project management in the Ministry of Finance.
2. The lack of progress under RPTA has meant that it has had no impact on LRM Track II (local financial management).
3. The decision in August 1984 to maintain separate management for RPTA and Track II may have contributed to the absence of any deliberate efforts by either MOF or NEDA to develop institutional capacity within their respective organizations to manage programs in local financial administration.

4. Progress in both RPTA and Track II has been constrained by the need for approvals by government agencies not directly involved in project implementation. For example, recommendations made by the Track II contractor for organizational restructuring and realignment of functions require approval of the Civil Service Commission as well as the Ministry of Finance. The lack of an effective coordination mechanism between the Track II contractor and the RPTA central management office has probably added to the difficulties of getting the required approvals.
5. Constraints to Track II implementation at the local level have included (a) lack of commitment and support of the governor and key fiscal of Track II objectives and proposed recommendations, (b) shortage of trainable staff to learn and apply improved systems and procedures, (c) turn-over of trained staff, (d) inadequate technical assistance services and monitoring/follow-up by track consultants, and (e) reluctance of local government officials to attempt to increase tax collections due to the economic crisis and possible reprisals by communist insurgents.

Guidelines

Suggested contacts:

1. Ms. Lorinda Carlos, MOF
2. Ms. Ellen Hernandez, MOF
3. Prof. Perfecto Padilla, UPPAF
4. Heads of Office of Provincial Fiscal Offices

Suggested reference documents:

1. UPPAF Terminal Report
2. UPPAF Proposal for a National Policy Conference

Issue 1

There may be significant benefits in terms of enhanced management efficiency and greater implementation effectiveness if RPTA is "folded into" Track II. This follows from the fact that RPTA and Track II have similar objectives and work within the same people at the local level. The evaluators will need to determine whether the potential advantages of combining RPTA with Track II outweigh possible disadvantages and, if so, what should be done to redesign Track II. An important consideration in this regard would be the choice of lead agency. As noted in the Background section, neither the MOF nor NEDA has established a strong institutional capacity in local financial administration. At first glance, the logical home for Track II management would seem to be the MOF since (a) the functional areas of Track II have been and are within the purview of the MOF, (b) all local government treasurers and assessors are employees of the MOF, and their cooperation and involvement is essential to project success, and (c) MOF personnel have already gained some project management experience under RPTA. On the other hand, the MOF has not been at all effective in implementing RPTA. Thus, if the recommendation is

made to combine RPTA with Track II, the evaluators will need to examine options for agency leadership in Track II where no "natural choice" is apparent.

Issue 2

Whatever the choice for government lead agency for Track II, there will be a continuing need for outside technical assistance. The evaluators will need to (a) review the types of technical assistance and training which have been provided under Track II so far, (b) assess the types of additional technical assistance and training which may be needed, and (c) recommend sources of the required expertise. Some possible sources include the U.P. Public Administration Foundation (the past contractor for Track II), the Development Academy of the Philippines, and the Economic Development Foundation. The team should also recommend measures to ensure (a) effective communication with the Track II lead agency and (b) clear specification of contractor-lead agency roles.

Issue 3

This issue deals with a range of problems, some of which may be more easily dealt with than others. For example, it may be easier to improve training follow-up in the provinces than to get two or three government agencies to approve an organizational change within provincial MOF offices. Thus, the evaluators will need to base their recommendations on what seems to be feasible and within the control of project management to effect. These recommendations, of course, should be consistent with any recommendations related to combining RPTA with Track II.

Issue 4

This issue is focused on the financial "technologies" which were to have been developed and tested by the Track II contractor during Phase I of LRM. The functional areas to be covered by the technologies included revenue generation, revenue utilization and allocation, credit financing, financial control systems, and organization for financial management. The evaluators should address this issue in conjunction with Issue 5, examining what worked, what did not, and what was not tested sufficiently to make a judgment about suitability for adoption in nonpilot areas. The team should determine the causes for these results and recommend whether the number of provinces participating in Track II should be expanded, reduced, or held constant.

Issue 5

There is a perception among some Track II participants that the past contractor's approach was overly academic, and that the contractor attempted to introduce new financial management systems and procedures without first gaining a full understanding of the needs and capabilities at the local level. The evaluators will need to review both the contractor's general approach to its work and the technical quality and general applicability of its specific outputs (financial management manuals, etc.) in addressing this issue. The team should consider this issue in conjunction with Issue 4.

Issue 6

The assumption here is that eventually LRM will be expanded to additional provinces (see also Issue 6 of Theme 3). The issue concerns the strategy for phasing-in the two or three tracks of LRM. For example, there may be an advantage in beginning Track II in a new province before Tracks I and III (or I/III if these tracks are combined) since an earlier start for Track II may produce additional revenues which would already be available to support the planning and subprojects under the other track(s) when they are introduced. The evaluators should recommend what kind of phase-in strategy seems most appropriate, given the relationships among the tracks and the varying conditions which will be found among new LRM provinces.

BACKGROUND INFORMATION AND EVALUATION GUIDELINES FOR THEME 3

Background

LRM is a very complex project. Its three "tracks" each have their own objectives, activities, control mechanism, institutional environments, and participants. The large number of project actors, coupled with multiple implementation sites, has made project implementation especially difficult. This problem has been magnified by existing implementation procedures and administrative requirements (some built into LRM design, some added during implementation, and some externally imposed) which have tended to slow implementation and reduce the flexibility needed for experimentation and innovation.

Project implementation experience over the last three years has led to a basic agreement among LRM participants that the project can and needs to be simplified and made more flexible if project objectives are to be met, but how this is done cannot be separated from the question of the need for redesign of LRM. The future of the project is also bound up with larger questions about policies of the new government, some of which have not been fully articulated and/or implemented, e.g. "decentralization" and the role of regional planning in the Philippines.

The issues which follow should be considered in the context of the recommendations arising from Themes 1 and 2.

Guidelines

Issue 1

The focus of this issue is implementation problems caused by organizational and administrative complexity. The evaluators should carefully examine LRM's organizational and management structure to determine where streamlining is possible. Specifically, is it possible to reduce the number of organizations involved? The evaluators should give high priority to an evaluation of NEDA's present management structure and operations, with special

attention to NEDA's functions, responsibilities, and powers at the central (PMO) and regional (NRO) levels. In particular, what have been the strengths and weaknesses of NEDA's management of the Project and where can improvements be made? The evaluators should also examine AID's role in the Project to determine if there are changes related to management and administration which are needed to facilitate project implementation.

Suggested contacts:

1. Mr. Ben Medina, SGV
2. Mr. Braj Sharma, SGV
3. Ms. Jessica Garcia, USAID/CO

Suggested reference materials;

1. LRM Manual of Operations
2. SGV Assessment of Existing Information System
3. PIS Conceptual Framework (SGV)

Issue 2

This issue is closely related to Issue 1 and suggests that management and administrative complexity in LRM may be reduced, and implementation improved, through "decentralization" (devolution) of some functions, responsibilities, and powers to the regions and provinces. So doing would be consistent with as with LRM's objectives to increase the capacity of local governments to serve their poor constituents. Questions arise, however, as to how much devolution is feasible given (a) the reluctance of some elements of the government to support devolution, (b) possible management problems for USAID posed by USAID's working more directly with provincial governments, and (c) the varying capacities and commitment to LRM objectives of the provincial governments. The evaluators will need to take these factors into account when assessing "decentralization" as an approach to improve LRM management, administration, and implementation.

Suggested contacts:

1. NEDA Regional Directors
2. Provincial Development Coordinators

Suggested reference materials:

1. NEDA Issues Papers on the role of RDC's
2. PIS Conceptual Framework (SGV)

Issues 3 and 4

These issues should be addressed as part of the assessment of LRM's overall management structure and operations in Issue 1. Issue 3 must consider the recommendations to the questions raised in Theme 1.

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Suggested contacts:

1. Mr. Marcial Salvatierra, DAP
2. Ms. Jessica Garcia, USAID/CO

Suggested reference documents:

1. JPIL Nos. 1 and 3
2. Research Manual
3. Training Manual
4. DAP Terminal Report

Issue 5

This is a critical issue. LRM's original design included the expectation that replicable, targeted approaches to local development would be developed in the Phase I pilot provinces and then extended and institutionalized in new provinces during Phase II. However, the approaches tested generally have not been well documented, so it is difficult to judge whether the "technologies" tested so far are suitable for extension. Given this situation, and the changed conditions in the Philippines since LRM was designed (see the introduction to this scope of work), should expansion of LRM be contemplated at this time, either to new provinces or within existing pilot provinces? If so, what is the logic which supports this recommendation and what should be the strategy for expansion, including the criteria for selection of new provinces, municipalities, and beneficiary groups?

Suggested contacts:

1. Dr. Florian Alburo
2. NEDA Regional Executive Directors

Suggested reference documents:

1. Criteria for the selection of provinces and municipalities
2. Project Paper

Issue 6

The decision of the new government to replace many elected provincial officials (governors, mayors) with officers-in-charge has created some serious management problems for LRM. Not only are some of the OIC's unfamiliar with LRM, but key staff members of the departed officials (e.g. some Provincial Development Coordinators) have themselves left. A concern has also been raised that some OIC's may be tempted to use LRM resources for political purposes in connection with the upcoming elections rather than for approved LRM activities. The evaluators should recommend what steps should be taken in the coming months (prior to local elections) to deal with these concerns.

Suggested contacts:

1. Provincial Development Coordinators

Suggested reference documents:

1. PMO Discussion Paper

Issue 7

Sustaining institutional capacities developed through projects has proven quite difficult throughout the world. Experience in the Philippines has shown, for example, that even in some Provincial Development Assistance Program (PDAP) provinces which achieved rather high levels of capacity in certain areas, capabilities have eroded. LRM at this point has no explicit strategy for dealing with issues of sustainability. In addressing this issue, the Evaluation Team should consider such questions as (a) the need for continuing technical assistance to local governments and (b) incentives and disincentives to recruitment and retention of capable staff.

Suggested contacts:

1. Mr. Marcial Salvatierra, DAP
2. Provincial Development Coordinators
3. Mr. Ernesto Garilao, PBSP

Suggested reference documents:

1. DAP Terminal Report
2. In-House Assessment Report
3. Strategic Planning Conference Proceedings

Issue 8

This issue should be addressed as part of issues 2, 3, and 6.

Suggested contacts:

1. Mr. Marcial Salvatierra, DAP
2. Prof. Perfecto Padilla, UPLGC
3. Mr. Ernesto Garilao, PBSP

Suggested reference documents:

1. DAP Terminal Report

BASIC PROJECT IDENTIFICATION DATA

1. Country:
2. Project Title:
3. Project Number:
4. Project Dates:
 - a. First Project Agreement:
 - b. Final Obligation: FY-- (Planned/Actual?)
 - c. Project Assistance Completion Date (PACD):
5. Project Funding:
 - a. A.I.D. Bilateral Funding:
 - b. Other Major Donors:
 - c. Host Country Counterpart Funds:

TOTAL:
6. Mode of Implementation: (Host Country or A.I.D. direct contract? include name of contractor.)
7. Project Design: (Organizational names of those involved in the design of the project)

8. Responsible Mission Officials: (For the full life of the project.)

a. Mission Director(s):

b. Project Officer(s):

9. Previous Evaluation(s):

10. Cost of Present Evaluation:

Person Days

Dollar Costs

a. Direct Hire:

(1) AID/W TDY:

(2) USAID staff:

b. Contract:

c. Other:

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EXECUTIVE SUMMARY OUTLINE

The Executive Summary is a three-page, single-spaced document containing a clear, concise summary of the most critical elements of the report. It should be a self-contained document that can stand alone from the report. The summary should be written in such a way that individuals unfamiliar with the project can understand the project's basic elements and how the findings from the evaluation are related to it without having to refer to other documents.

1. Name of Mission or ANE Bureau office initiating the evaluation, followed by title and date of full evaluation report.
2. Purpose of the activity or activities evaluated. What constraints or opportunities does the activity address; what is it trying to do about the constraints? Specify the problem, then specify the solution and its relationship, if any, to overall mission or office strategy. State the logframe purpose and goal, if applicable.
3. Purpose of the evaluation and methodology used: Why (and if a single project or program evaluation, at what stage - interim, final, ex post) was the evaluation undertaken? Briefly describe the types and sources of evidence used to assess effectiveness and impact.
4. Findings and conclusions: Discuss major findings and interpretations related to the questions in the Scope of Work. Note any major assumptions about the activity that proved invalid, including policy related factors. Cite progress since any previous evaluation.
5. Recommendations for this activity and its offspring (in the mission country or in the office program). Specify the pertinent conclusions for A.I.D. in design and management of the activity, and for approval/disapproval and fundamental changes in any follow-on activities. Note any recommendations from a previous evaluation that are still valid but were not acted upon.
6. Lessons learned (for other activities and for A.I.D. generally). This is an opportunity to give A.I.D. colleagues advice about planning and implementation strategies, i.e., how to tackle a similar development problem, key design factors, factors pertinent to management and to the evaluation itself. There may be no clear lessons. Don't stretch the findings by presenting vague generalizations in an effort to suggest broadly applicable lessons. If items 4-5 above are succinctly covered, the reader can derive pertinent lessons. On the other hand, don't hold back clear lessons even when these may seem trite or naive. Address:
 - Project Design Implications. Findings/conclusions about this activity that bear on the design or management of other similar activities and their assumptions.
 - Broad action implications. Elements which suggest action beyond the activity and which need to be considered in designing similar activities in other contexts (e.g., policy requirements, procedural factors in the country that were particularly constraining or restrictive).

A.I.D. EVALUATION SUMMARY

(BEFORE FILLING OUT THIS FORM READ THE ATTACHED INSTRUCTIONS)

<p>A. REPORTING A.I.D. UNIT (Mission or AID/W Office)</p> <p>(ES)</p>	<p>B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?</p> <p>yes [] slipped [] ad hoc []</p>	<p>C. EVALUATION TIMING</p> <p>Interim [] final [] ex-post [] other []</p>												
<p>D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Project #</th> <th style="width: 45%;">Project/Program Title (or title & date of evaluation report)</th> <th style="width: 15%;">First PROAG or equivalent (FY)</th> <th style="width: 10%;">Most recent PACD (mo/yr)</th> <th style="width: 10%;">Planned LOP Cost ('000)</th> <th style="width: 10%;">Amount Obligated to Date ('000)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>			Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)						
Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)									

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR	Name of Officer responsible for Action	Date Action to be Completed
<p>Action(s) Required</p>		

<p>F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION</p> <p>mo _____ day _____ year _____</p>			
<p>G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS</p>			
<p>Signature Typed Name Date</p>	<p><i>Project/Program Officer</i></p>	<p><i>Representative of Borrower/Grantee</i></p>	<p><i>Evaluation Officer</i></p> <p><i>Mission or AID/W Office Director</i></p>

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A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS *(Try not to exceed the 3 Pages provided)*

Address the following items :

- *Name of mission of office*
- *Purpose of activity(ies) evaluated*
- *Purpose of the Evaluation and Methodology Used*
- *Findings and conclusions*
- *Recommendations*
- *Lessons learned*

SUMMARY

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Date this summary prepared:

A P P E N D I X 2

Evaluation Methodology

The evaluation did not require a major primary data collection effort, considering the amount of data and information already available from LRM project documents and reports. The main challenge to the members of the evaluation team was to sort through and synthesize the mass of existing information. For purposes of the evaluation, however, available data were validated and/or supplemented by information collected through interviews and visits to the LRM provinces in Regions V, VI and VIII. The evaluation covered five weeks from February 9 to March 13, 1987.

In Manila, intensive interviews were conducted with project decision-makers in NEDA and USAID, as well as with the LRM Project consultants: the Development Academy of the Philippines (for Track I); the U.P. Public Administration Foundation (for Track II); Sycip, Gorres and Velayo, Inc. (for MIS) and the four PVO's for Track III (PBSP, IIRR, UPLB/ Development Foundation, Inc. and International Ilaw Center). Also interviewed at the central government level were representatives of such government agencies as the Department of Finance (DOF), Department of the Budget and Management (DBM), the Department of Local Governments (DLG), and the Commission on Audit (COA). Field activities included dialogues with the NEDA Regional Executive Director (RED), the LRM Regional Technical Coordinator and his staff, the Provincial Development Staff (PDS), Municipal Development Staff, the field staffs of the PVO's, and representatives of beneficiary groups. Various ongoing LRM subprojects were also visited.

The data-gathering activities of the evaluation team were, of course, guided by the two main objectives of the evaluation: (1) to provide guidance for redesign based on lessons accumulated during four years of project implementation and the new priorities of USAID and GOP; and (2) to assess the readiness of the LRM Project to expand to new municipalities and/or provinces. In line with these objectives, the evaluation involved assessing USAID and GOP objectives and the extent to which they relate to the realities of the project, seeking to find the strongest line of commonality between project objectives on one hand, and GOP and USAID policy pronouncements on the other. It also entailed reviewing project implementation experiences in terms of institutional development and target group responsiveness, as well as looking specifically into whether systems and approaches developed for LRM have proven to be worth replicating.

The interdisciplinary background and experiences of the Evaluation Team in rural development were brought to bear upon the validated findings, eventually leading to the formulation of the conclusions and recommendations.

A P P E N D I X 3

Summary of Responsibilities of Major LRM Institutional Actors

1. LRM Project Executive Committee

- o monitor proper execution and implementation of project loan and grant Agreements and other policy-level project commitments;
- o formulate and establish overall project policies in support of LRM goals and objectives;
- o resolve issues affecting LRM operation at the ministerial level;
- o recommend to the GOP the adoption of policy reforms to achieve more decentralized and locally-responsive development action based on the LRM experience; and
- o establish policies for the replication of LRM approaches to other regions and provinces.

2. NEDA-PMO

- o provide overall guidance on the implementation of project policies in support of LRM goals and objectives;
- o provide advocacy for policies supportive of LRM from other government agencies;
- o coordinate the actions of other central agencies participating in the LRM project (i.e., DOF, COA, DLG, OBM);
- o recommend to the Executive Committee policy changes to improve efficiency and effectiveness of LRM project operations;
- o coordinate the orientation of all project actors on the LRM concept and strategy;
- o facilitate effective project implementation and technical support at provincial and regional levels through administrative support and guidance;
- o facilitate and support learning through the organization of workshops and meetings that enable cross-regional and cross-provincial information sharing;
- o conduct overall human resource planning for LRM project needs; and

- o determine annual regional subproject fund allocation ceilings.
3. NEDA Regional Office (as staff office to Regional Development Council)
- o provide oversight of LRM project implementation at the Regional level;
 - o coordinate and administratively monitor the provision of provincially-required research and technical support;
 - o certify provincial TA arrangements as the basis for USAID fund releases for host country contracting;
 - o certify provincial strategies, annual plans, and subproject implementation for reference payment fund release directly to the provinces;
 - o assess provincial participation in LRM based on demonstrated commitment to LRM goals and objectives and capacity to implement and maintain LRM systems and processes; and
 - o coordinate regional line agency activities in support of LRM field operations, including subproject design and implementation;
4. Provincial Government (through the Provincial Development Staff)
- o manage the implementation of all aspects of LRM at the local government level;
 - o identify priority target groups for LRM resources;
 - o identify and introduce mechanisms by which target group members can contribute to the process of identifying their own needs and opportunities;
 - o undertake poverty studies and analyses leading to provincial strategy and annual program formulation;
 - o prepare annual program plans in conformity with provincial strategy and the LRM framework;
 - o develop subproject documentation, including required feasibility studies for submission to the Regional Development Council);
 - o implement individual subprojects in coordination with municipal governments and appropriate line ministries;
 - o monitor and evaluate the implementation of individual LRM-funded subprojects;

- o account for the expenditure of LRM subproject funds;
- o provide general supervision of LRM-related municipal activities; and
- o coordinate links between intended beneficiaries and agencies providing implementation or technical support to local development activities.
- o identify sources of local and external technical and management assistance and provide technical supervision of their work; and
- o contract with outside agencies to undertake specific types of development activities linked to LRM objectives.

5. Municipal Government

- o assist the Province to develop the provincial strategy and annual program plan;
- o assume management responsibilities, as appropriate, for municipal-level subproject activities including identification, design, implementation, monitoring, and evaluation;
- o with assistance from provincially-provided technical assistance, develop and use techniques of beneficiary organization; and
- o integrate lessons derived from testing models of beneficiary organization into other provincial and municipal programs.

6. USAID (Office of Rural and Agricultural Development)

- o provide financial assistance to the project;
- o assist NEDA in oversight of project implementation; and
- o ensure that project implementation is in accordance with agreements reached by the GOP and USAID.

A P P E N D I X 3

Responsibilities of Major LRM Institutional Actors

A P P E N D I X 4

List of Documents Consulted for LRM Evaluation

1. USAID/Manila Country Development Strategy Statements for FY '82, FY '83, FY '87
2. GOP Draft Executive Order: Reorganizing the National Economic and Development Authority
3. Highlights of the Draft Medium-Term Philippine Development Plan, 1987-1992
4. NEDA Operational Status Assessment, December 1986
5. Fourth National Technical Conference Highlights, December 1986
6. Analysis of the Issues and Recommendations of the First LRM In-House Assessment held January 29 - February 1, 1986
7. Comparative Analysis of the Community Projects Fund and the Subproject Fund Utilization Scheme, NEDA (undated)
8. Various NEDA briefing notes
9. Various USAID briefing notes
10. Guidelines on the Utilization of the Community Projects Fund (undated)
11. LRM Project Paper, August 1982
12. Local Government Field Studies in the Philippines, Thailand, and Indonesia, AID, January 1983
13. PVOs in Generation 3 Modes of Operation: USAID/Manila's experience with the LRM Project (undated)
14. "Learning from USAID Field Experience: Institutional Development and the Dynamics of the Project Process," David Korten, February 4, 1983
15. Joint Project Implementation Letters Nos. 1 and 5
16. Memo on Operationalizing of Major Recommendations, LRM Project First In-House Assessment, October 28, 1985
17. AID Evaluation Occasional Paper No. 3, "Flexible Project Design Approaches", January, 1986
18. LRM Project Track I Terminal Report - Development Academy of the Philippines
19. Assessment of LRM Organization and Review of Existing Management Information Systems and Process Documentation, SGV
20. LRM Track III Briefing Kit, Philippine Business for Social Progress
21. LRM Briefing Kit, NEDA

22. Summary of Accomplishments, Technical Assistance in Local Finance Administration (Track II), CY 1983-1985
23. UPLGC Provincial Reports for Modules I, II, III of Track II Assistance
24. Documentation of LRM Activities, Province of Albay
25. Integrated Project Information System Manual, December, 1986
26. Integrated Terminal Report on Accomplishments: LRM Track II Project: Local Financial Administration
27. Minutes of the Brainstorming Sessions on Learning Systems and Process Documentation (PMO-USAID-SGV), January 24 and May 7, 1986
28. AID Evaluation Occasional Paper 1: Implementing Policy and Institutional Change in Performance Disbursement. Examples from the Philippines, Bangladesh and Niger.
29. NEDA LRM Operational Status Assessment: Summary of Findings and Recommendations.
30. Feasibility Study - Dryland Agriculture Development Project for the Upland Farmers in Albay Province 1983.
31. Various PDAP Manuals and related documents!
32. Aide Memoire, Bicol LRM Project Office - NEDA V, January, 1987.
33. Memorandum of Agreement and RCPC Resolutions (Catanduanes)
34. Memoandum of Agreement and RCPC Resolutions (Albay)
35. Philippine Laws on Local Government Finance, Volume One, by Sofronuo B. Ursal, Manager, Commission on Audit.
36. Narrative of LRM Track I Experience Photoque January 1984 - June 1985. NEDA and DAP.
37. Project Paper Supplement: LRM/Real Property Tax Administration, Undated.
38. LRM Track II/RPTA Project: Development and Implementation, ORAD/USAID. December 1986.
39. Various Memos of David C. Korten (February 4, 1985; March 15, 1985; May 6, 1985).
40. Local Resource Management Project: Reflections, Issues and Suggestions: John Lamb, February 1987.
41. Medium-Term Philippine Development Plan 1987-1992, NEDA.
42. The Constitution of the Republic of the Philippines; ConCom. 1986.

APPENDIX 5
LOCAL RESOURCES MANAGEMENT
Logical Framework

Life of Project:
From FY 82 to FY 89
Total U.S. Funding: \$6.0 Million
Date Prepared: 6/21/82

NARRATIVE SUMMARY

OBJECTIVELY VERIFIABLE
INDICATOR

MEANS OF
VERIFICATION

IMPORTANT ASSUMPTIONS

Goal (multi-phase program)

Measures of Goal Achievement

Purpose to Goal Assumption

To replicate and institutionalize within the CDSS regions innovative approaches to local development which promote greater self-reliance, productive employment, and real incomes among disadvantaged residents in rural areas.

1. Provincial governments are increasingly determining and independently acting upon local priorities as measured by:

a) A stream of locally initiated projects that support and promote self-help development among defined target groups;

b) The exercise of greater discretion by provincial governments over the use of nationally allocated budgetary resources (e.g. BIR allotment) for local development activities;

c) Increasing local government contributions to development activities, including creating a healthy economic environment for private sector involvement in this process; and

d) Increasing mobilization of community resources.

2. Provincial and regional plans and project designs reflect a targeted focus evolving from LRM and these concepts are influencing planning guidance to other regions.

3. Local resource institutions incorporating LRM lessons including a targeted focus in their curricula and training programs.

Review of provincial and municipal project portfolios and the evaluation of their impact on intended beneficiaries.

Review of local development expenditures and guidelines.

Review of local government contributions to local development.

Review of community contribution to self-help development activities.

Review of plans, project designs, and planning guidance.

Review of curricula and training programs.

1. GOP will make necessary adjustments in existing systems and procedures to incorporate LRM lessons.

2. Provinces and RDC's will sustain commitment to targeted development.

3. The MOB will honor its commitment to devolve authority to regions for allocating development resources.

4. The GOP will continue its policies and activities aimed at putting into effect regional development planning, budgeting, and line agency operations.

5. The GOP's regionalization drive will allow for increased provincial and municipal participation in development programming decisions and not result simply in centralization.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Project Purpose (Phase I)</u></p> <p>To identify replicable, targeted approaches to local development in six provinces which can be extended and institutionalized throughout the CDSS regions in subsequent phases.</p>	<p><u>End of Project Status:</u></p> <p>LRM developed systems and approaches prove worth replicating on expanded scale based on evidence that:</p> <ol style="list-style-type: none">1. Track 1 provincial strategy approach is:<ol style="list-style-type: none">a) resulting in identification of subprojects which show clear potential for responding to target group needs;b) appropriate to PDS needs/capacities and fits within the existing regional planning and budget systems;c) encouraging private sector participation in local development;d) reshaping thinking of PDS toward helping specific target groups help themselves.2. Track 2 financial monitoring systems prove a) suitable to provincial/municipal needs, b) appropriate to provincial/municipal financial staff capabilities, and c) useful in identifying actions leading to increased local revenues.3. Track 3 activities prove that closer cooperation between local PVO's, other private sector organizations or representatives, and municipal governments can lead to greater beneficiary participation in local development activities.	<p>Review of RDC approved subproject proposals which have been or are being implemented.</p> <p>Assessment of how useful provincial and NEDA project staffs find systems and approaches that have been developed during Phase I. Also, project reports, evaluations.</p>	<p>Same as 1b).</p>
		<p>Same as 1b).</p>	

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NARRATIVE SUMMARY

OBJECTIVELY VERIFIABLE INDICATOR

MEANS OF VERIFICATION

IMPORTANT ASSUMPTIONS

4. Lessons have been sufficiently documented and management support mechanisms are adequately developed to permit replication of selected approaches and systems, as measured by:

a) Training modules incorporating LRM concepts and methods developed and in use; and

Project reports and evaluations.

b) Provinces, NEDA, and local resource institutions working effectively as a support network for LRM expansion.

Project reports and evaluations.

Project Outputs

Magnitude of Outputs:

Output to Purpose Assumptions:

. Targeted strategy approaches developed and tested.

Approved initial provincial strategies: (cumulative)

LRM project records and evaluations of responsiveness of strategies to local needs.

FY	$\frac{83}{3}$	$\frac{84}{6}$	$\frac{85}{6}$
----	----------------	----------------	----------------

. Enhanced provincial (PDS) capacities to develop and to obtain funding for sub-projects in support of approved strategies.

- a) Approved annual program plans.
- b) Approved subproject proposals developed by PDS.

Project records and evaluation of degree of fit between sub-projects, plans, and strategies.

Capacity to implement subprojects will evolve in response to the particular technical needs of the more innovative projects under LRM--and those capacities can be developed through the existing functionally defined programs of GOP, including

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
			USAID-supported Rainfed Resources Development and Rural Enterprise Development.
	c) Evidence of better provincial technical, social, economic, and environmental feasibility studies submitted to RDC in support of subproject proposals.	Review of progress in preparing better subproject feasibility studies.	
	d) Key provincial staff oriented and trained in basic LRM approaches: (cumulative)	Project records.	
	FY $\frac{83}{24}$ $\frac{84}{40}$ $\frac{85}{40}$		
3. Approaches for encouraging private sector involvement in local development developed and tested.	a) Inventories of private sector firms and organizations, their capacities and interests prepared and tested by provincial governments as means to help define the role of private sector in subproject implementation.	Project records and evaluations.	
	b) Incentives for stimulating greater private sector participation in local development identified and tested.	Project records and evaluations.	

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Provincial monitoring and evaluation systems developed and in use.	a) LRM subprojects are regularly monitored/evaluated. b) Subproject evaluations serve as a basis for implementation adjustments and lessons are incorporated into design of new subprojects.	Project records. Review of subproject implementation reports and evaluation of changes in subproject designs over time.	
Budget systems researched and approaches recommended to increase provincial discretion over budget allocations for local development.	Sets of research findings and recommendations.		
Improved provincial and municipal systems, procedures, and capacities in local financial administration.	a) Multi-year forecasts of revenues/expenditures; monthly monitoring system on revenues/expenditures; financial trend monitoring system as a basis for recommendations on improved financial management systems, policies, and practices. b) Key provincial and municipal staff oriented and trained in forecasting and monitoring of revenues/expenditures. c) More revenues are generated as a percent of "collectibles," and savings are achieved through more cost-effective administration of public enterprises and services at provincial/municipal level.	Provincial and municipal financial reports. LRM project evaluation. Evaluation of training. Review of revenue performance.	More accurate diagnosis of financial strengths and weaknesses will result in effective action.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS				
Approaches tested for linking private sector activities in beneficiary organization to provincial and municipal development activities related to a selected target group.	Actual activities to be determined by PVO's, other private sector organizations or representatives, and local governments based on needs and potentials of target group selected by province.	PVO reports and LRM evaluation of experience.					
<u>Object Inputs</u>	<u>Implementation Target (Type and Quantity):</u>						
	<table border="1"> <thead> <tr> <th>P/M</th> <th>(\$000)</th> </tr> </thead> <tbody> <tr> <td>770</td> <td>2,730</td> </tr> </tbody> </table>	P/M	(\$000)	770	2,730		
P/M	(\$000)						
770	2,730						
Technical Assistance		Signed agreements and contracts.	Policies and procedures for implementing LRM will be established and put into effect in a timely manner.				
Training		Project records.					
Commodities							
Research							
Performance Payments							
Evaluations							
Community Projects							

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